

PENDER ISLANDS FIRE PROTECTION SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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CONTENTS

	<u>Page</u>
REVIEW ENGAGEMENT REPORT	
FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Restricted Fund Balances	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 9

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of
Pender Islands Fire Protection Society

We have reviewed the statement of financial position of Pender Islands Fire Protection Society as at December 31, 2022, the statements of operations and changes in fund balances for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

Note 2(b) describes the Society's property, plant and equipment accounting policy. The note indicates the Society is expensing capital acquisitions (small firefighting and office equipment) in the year of purchase. All major capital asset purchases (Fire Halls, vehicles and large equipment) are recorded on the books of the CRD, with some exceptions, in accordance with the Society's agreement with the CRD. In this respect, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. The small firefighting and office equipment are required to be capitalized at the time of acquisition at their acquisition cost, and amortized over their estimated useful lives. Since the necessary financial information is not reasonably determinable from the Society's books and records, the effects on the financial statements of this departure from Canadian accounting standards for not-for-profit organizations has not been determined.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT, continued

Qualified Conclusion

Except for the effect of the failure to capitalize property, plant and equipment, as referred to in the preceding paragraph, based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of the Society as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the BC Societies Act, we report that, in our opinion, the accounting principles have been applied on a basis consistent with that of the preceding year.

Sidney, B.C.
DATE TO BE DETERMINED

Hughesman Morris Liversedge

Hughesman Morris Liversedge
Chartered Professional Accountants

PENDER ISLANDS FIRE PROTECTION SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31
(unaudited)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash (Note 3)	\$ 212,717	\$ 120,327
Restricted cash held by the Capital Regional District	747,790	776,881
Accounts receivable (Note 4)	5,213	17,570
	965,720	914,778
PROPERTY, PLANT AND EQUIPMENT (Note 2(b))		
Fire and rescue equipment & training facility	660,787	660,787
	\$ 1,626,507	\$ 1,575,565
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 4)	\$ 48,565	\$ 24,958
Deferred income	2,200	1,800
	50,765	26,758
FUND BALANCES		
OPERATING SURPLUS (Note 2(a))	96,918	36,767
RESTRICTED FUNDS (Note 2(a))		
Capital Contingency Fund - externally restricted	271,028	351,038
Equipment Replacement Fund - externally restricted	476,764	425,844
Training Facility Fund	640,394	640,394
Other Funds	90,638	94,764
	1,575,742	1,548,807
	\$ 1,626,507	\$ 1,575,565

APPROVED BY:

Shelagh Rinald, *Treasurer*

Brent Marsden, *President*

(On behalf of the entire Board of Directors)

PENDER ISLANDS FIRE PROTECTION SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31
(unaudited)

	2022	2021
INCOME		
CRD - Municipal Taxes	\$ 1,042,606	\$ 988,487
Donations, grants and other income (Note 5)	56,221	22,021
Training	-	8,225
	1,098,827	1,018,733
OPERATING EXPENSES		
Personnel (Note 5)	590,393	542,350
Training	31,029	29,256
Vehicle expenditures	44,547	35,289
Capital Regional District expenditures	77,547	68,529
Equipment, supplies and other	135,717	163,993
TOTAL OPERATING EXPENSES	879,233	839,417
NET SURPLUS FROM OPERATIONS	219,594	179,316
TRANSFERS TO RESTRICTED FUNDS (Note 6)		
Transfer to Capital Contingency Fund	78,253	73,771
Transfer to Equipment Replacement Fund	81,190	181,421
	159,443	255,192
NET OPERATING SURPLUS FOR THE YEAR	60,151	(75,876)
OPERATING SURPLUS, beginning of period	36,767	112,643
OPERATING SURPLUS, end of period	\$ 96,918	\$ 36,767

PENDER ISLANDS FIRE PROTECTION SOCIETY
STATEMENT OF CHANGES IN RESTRICTED FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31

(unaudited)

	Capital Contingency Fund	Equipment Replacement Fund	Training Facility Fund	Other Funds	2022	2021
FUND BALANCES , beginning of period	\$351,038	\$ 425,844	\$ 640,394	\$ 94,764	\$1,512,040	\$1,415,347
REVENUE						
Donations and contributions	-	-	-	932	932	27,250
Proceeds on sale of assets	-	-	-	-	-	14,400
Interest income	10,323	3,570	-	-	13,893	7,418
	10,323	3,570	-	932	14,825	49,068
EXPENDITURES						
Benevolent payments	-	-	-	3,000	3,000	-
Equipment	-	72,244	-	-	72,244	91,559
Fire prevention expenditures	-	-	-	2,058	2,058	-
Hall #1 - Fitness Area Upgrade	9,524	-	-	-	9,524	-
Hall #1 - Upgrades	-	-	-	-	-	4,028
Hall #2 - Upgrades	1,907	-	-	-	1,907	-
Hall #3 - Upgrades	7,155	-	-	-	7,155	-
MFA loan repayments (principal & interest)	-	111,596	-	-	111,596	55,980
Paving	-	-	-	-	-	56,000
	18,586	183,840	-	5,058	207,484	207,567
EXCESS (DEFICIENCY) REVENUE OVER EXPENSES	(8,263)	(180,270)	-	(4,126)	(192,659)	(158,499)
NET FUNDS AVAILABLE	342,775	245,574	640,394	90,638	1,319,381	1,256,848
TRANSFER FROM OPERATING FUND (Note 6)	78,253	81,190	-	-	159,443	255,192
INTERFUND TRANSFERS (Note 6)	(150,000)	150,000	-	-	-	-
FUND BALANCES , end of period	\$271,028	\$ 476,764	\$ 640,394	\$ 90,638	\$1,478,824	\$1,512,040

See accompanying notes

PENDER ISLANDS FIRE PROTECTION SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31
(unaudited)

	2022	2021
OPERATING ACTIVITIES		
Net surplus from operations	\$ 219,594	\$ 179,316
Net (deficit) surplus from restricted funds	(192,659)	(158,499)
	26,935	20,817
Changes in non-cash working capital items:		
Decrease in accounts receivable	12,357	87,511
Increase (decrease) in accounts payable and accrued liabilities	23,606	(19,730)
Increase in deferred revenue	400	1,800
Net cash flow from operating activities	63,298	90,398
INCREASE IN CASH	63,298	90,398
CASH, beginning of year	897,208	806,810
CASH, end of year	\$ 960,506	\$ 897,208
 CASH CONSISTS OF:		
Cash and term deposits	\$ 212,717	\$ 120,327
Restricted deposits	747,790	776,881
	\$ 960,507	\$ 897,208

1. PURPOSE OF THE SOCIETY

The Pender Islands Fire Protection Society was incorporated on March 3, 2004 under the Society Act of British Columbia. The purpose of the Society is to maintain a volunteer fire department and provide fire protection and emergency response services to the residents and property owners of North and South Pender Islands.

2. ACCOUNTING POLICIES

The Society applies the Canadian Accounting Standards for Not-for-Profit Organizations.

(a) Fund Accounting

The Society maintains its accounts in accordance with principles of fund accounting. Its resources are classified, for accounting and reporting purposes, into funds according to the activity or objective specified. The Society follows the policy of including restricted-use funds within its general operating bank account and term deposits. Following are the funds currently maintained by the Society.

(i) Operating Surplus

The Society's Operating Surplus accounts for its operating activities. Its source of funds is primarily a grant provided by the North and South Pender Island property owners via a taxation process administered by the Capital Regional District (CRD) of the Province of British Columbia for the purpose of operating a fire department for the benefit of North and South Pender Islands.

(ii) Externally Restricted Use Funds

Capital Contingency Fund

The purpose of this fund is to finance the purchase of major items of equipment, capital improvements and/or major repairs, as approved by the Society's board of directors, beyond what can be afforded from the annual operating budget.

This fund will be augmented each year by a total amount equal to 7.5% of the Municipal Property Taxes collected by the CRD for Fire protection and such surplus operating funds that the Board of Directors of the Society feels prudent.

This is an externally restricted fund and is held by the CRD.

Equipment Replacement Fund

The purpose of this fund is to finance the replacement of equipment, as approved by the Society's board of directors, beyond what can be afforded from the annual operating budget.

This fund will be augmented each year by a total amount equal to 7.5% of the Municipal Property Taxes collected by the CRD for Fire protection and such surplus operating funds that the Board of Directors of the Society feel prudent.

This is an externally restricted fund and is held by the CRD.

2. ACCOUNTING POLICIES, continued

(iii) Internally Restricted Use Funds

Training Facility Fund

The purpose of this fund is to upgrade the current Training Facility to meet responsibilities for volunteer firefighter training. These funds were raised by a significant matching grant from the Robert Conconi Foundation, a major grant from the office of the B.C. Fire Commissioner, a grant from the Victoria Foundation and generous donations by anonymous donors and residents of the Pender Islands and other Southern Gulf Islands.

The Training Facility Fund is internally restricted and any unspent donations are held by the Society in an interest bearing bank account.

Other funds

Five other minor funds managed by the Society include the Donations and Fundraising Fund, the Youth Camp Fund, the Firefighters' Benevolent Fund, the Fire Prevention Fund and the Fit Test Fund.

These funds are internally restricted by the Board of Directors.

No expenditures may be charged to any of the restricted use funds without the prior approval of the board of directors.

(b) Property, Plant and Equipment

The Society does not have ownership of most capital assets. All Fire Halls, vehicles and large equipment are owned by the CRD and are recorded on the books of the CRD, with some exceptions, as per the Society's agreement with the CRD.

In 2014 through 2018, funds were raised for the purpose of building a new training facility. The Society has recorded the year-to-date costs of site preparation for this facility as a capital addition. The grand opening of the Training Facility took place on January 5, 2018. No amortization has been taken on this asset.

Except as noted above, it is the policy of the Society to expense all non-CRD assets it purchases during the year.

(c) Revenue Recognition

Revenue from municipal and parcel taxes is recognized as revenue in the year it is received.

Restricted contributions and grants are recognized in the appropriate restricted fund when received or receivable. If no restricted fund is present they are recognized in the Operating Fund as related expenditures are incurred.

Unrestricted contributions and grants are recognized as revenue when received or receivable and the amount can be reasonably estimated and collection is reasonably assured.

All other revenue is recognized when goods have been delivered or services have been provided.

2. ACCOUNTING POLICIES, continued

(d) Financial Instruments

The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures its financial assets and financial liabilities at amortized cost, except for securities quoted in an active market, which are subsequently measured at fair value.

Financial assets measured at amortized cost include cash, accounts receivable and funds held by the Capital Regional District. Financial liabilities measured at amortized cost include accounts payable.

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires the board to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses. The main estimate relates to the collection of accounts receivable. Actual results could differ from those estimates, although those charged with governance do not generally believe such differences would materially affect the financial statements in any individual year.

3. INTERNALLY RESTRICTED CASH

The balance held in the savings account represents unspent Training Facility Fund donations. A transfer of \$1,500 will be made in 2023 related to a training facility donation made in 2021 that was deposited to the chequing account. The unadjusted balance of the savings account at year end was \$2,952.

4. AMOUNTS DUE FROM/TO GOVERNMENT AGENCIES

Accounts receivable includes \$3,621 for a GST rebate receivable from Canada Revenue Agency (CRA) (2021 - \$14,634). Accounts payable includes \$19,180 due to CRA for payroll remittances and to WorkSafeBC (2021 - \$11,401).

5. GRANT INCOME

Donations, grants and other income includes grants from the CRD totaling \$9,488 (2021 - \$8,749). The Society has recorded wage related grant income received in the year of \$10,862 (2021 - \$9,526) as a reduction to personnel expenses.

6. INTER-FUND TRANSFERS

During the year the following transfers were made:

Capital Contingency Fund

\$78,253 (2021 - \$73,771) was transferred from the Operating Fund to the Capital Contingency Fund in the current year. As noted above, this amount represents approximately 7.5% of the Municipal Property Taxes collected by the CRD for Fire protection and such surplus operating funds that the Board of Directors of the Society feels prudent.

\$150,000 (2021 - \$75,000) was transferred from the Capital Contingency Fund to the Equipment Replacement fund in the current year. This transfer was done at the request of the Society in anticipation of a major spending for a fire truck replacement in 2023.

6. INTER-FUND TRANSFERS, continued

Equipment Replacement Fund

\$81,190 (2021 - \$181,421) was transferred from the Operating Fund to the Equipment Replacement Fund. As noted above, this amount represents approximately 7.5% of the Municipal Property Taxes collected by the CRD for Fire protection and such surplus operating funds that the Board of Directors of the Society feels prudent.

7. SHORT-TERM DEBT

The Society has no direct short-term debt. However, there is a five year short-term Municipal Financial Authority (MFA) loan in the amount of \$545,000 held by the CRD for assistance in funding the 2021 fire truck replacement.

For the 12 months ended December 31, 2022, principal payments of \$107,483 (2021 - \$53,316) and interest payments of \$4,113 (2021 - \$2,664) were made.

Future payment obligations (principal and interest) are as follows:

2023	111,596
2024	111,596
2025	111,596
2026	94,931
	<hr/>
	\$ 429,719
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8. INCOME TAX STATUS

The Society is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

9. GST STATUS

The Society is presently able to obtain a rebate of 100% of GST paid on purchases of goods and services.

10. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant currency, credit, liquidity, interest rate or other price risks.

11. REMUNERATION OF DIRECTORS, EMPLOYEES AND CONTRACTORS

The Society adopted the new BC Societies Act on October 23, 2018. The Act has a requirement for the disclosure of the remuneration of directors, employees and contractors, for financial statements prepared after November 28, 2016. For employee and contractor remuneration, the requirement is to disclose amounts paid to individuals whose remuneration was \$75,000 or greater.

For the fiscal year ending December 31, 2022, the Society paid total remuneration of \$374,271 (2021 - \$252,577) to three employees (2021 - two employees), each of whom received total annual remuneration of \$75,000 or greater. This amount includes taxable and non-taxable employee benefits. No remuneration was paid to any Director, and no remuneration of \$75,000 or greater was paid to any contractor.

12. ECONOMIC DEPENDENCE

The Society receives approximately 99% (2021 - 98%) of its revenue from the CRD. The Society is dependent upon this revenue source for the continuation of its operations.

13. PRIOR PERIOD ADJUSTMENT

The comparative financial statements have been retroactively restated to reflect 2022 cadet camp deposits collected in 2021 as deferred income. As a result, 2021 net income and ending retained earnings have both decreased by \$1,800.

14. COMPARATIVE FIGURES

The financial statement have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.