

**CENTRAL ALBERTA'S SAFE  
HARBOUR SOCIETY FOR HEALTH  
AND HOUSING**

**Independent Auditor's Report and  
Financial Statements**

**March 31, 2019**



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## INDEPENDENT AUDITOR'S REPORT

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### To the Directors of Central Alberta's Safe Harbour Society for Health and Housing

#### *Qualified Opinion*

We have audited the financial statements of Central Alberta's Safe Harbour Society for Health and Housing (the "Society"), which comprise the statement of financial position as at March 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at April 1, 2018 and March 31, 2019. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *Other Matter*

The financial statements of the Society for the year ended March 31, 2018, were audited by another public accounting firm who expressed a qualified opinion on those financial statements on June 27, 2018 for reasons described in the *Basis for Qualified Opinion* section.

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## INDEPENDENT AUDITOR'S REPORT

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### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.

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## INDEPENDENT AUDITOR'S REPORT

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- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Red Deer County, Alberta

June 28, 2019

RSM Alberta LLP

Chartered Professional Accountants

# **CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING**

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**March 31, 2019**

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# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Statement of Financial Position  
As at March 31, 2019

	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (note 3)	\$ 1,427,629	\$ 644,558
Accounts receivable	5,203	94,326
Goods and Services Tax receivable	4,460	13,957
Prepaid expenses	<u>28,478</u>	<u>20,837</u>
	1,465,770	773,678
Internally restricted cash	-	39,375
Capital assets (note 4)	<u>2,200,679</u>	<u>2,502,131</u>
	<u>\$ 3,666,449</u>	<u>\$ 3,315,184</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accruals (note 5)	\$ 81,408	\$ 58,419
Salaries and benefits payable	138,803	142,544
Deferred rental revenue and deposits	1,400	2,200
Deferred contributions (note 6)	877,830	511,404
Callable debt (note 7)	<u>164,095</u>	<u>233,020</u>
	1,263,536	947,587
Unamortized deferred capital contributions (note 8)	<u>1,338,629</u>	<u>1,435,549</u>
	<u>2,602,165</u>	<u>2,383,136</u>
<b>NET ASSETS</b>		
Unrestricted	366,329	59,111
Internally restricted	-	39,375
Invested in capital assets	<u>697,955</u>	<u>833,562</u>
	<u>1,064,284</u>	<u>932,048</u>
	<u>\$ 3,666,449</u>	<u>\$ 3,315,184</u>
<b>Commitments (note 9)</b>		

Approved by the board:

 Director  
 Director

# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

## Statement of Changes in Net Assets Year ended March 31, 2019

	Unrestricted	Internally Restricted	Invested in Capital Assets	Total 2019	Total 2018
<b>Balance, beginning of year</b>	\$ 59,111	\$ 39,375	\$ 833,562	\$ 932,048	\$ 973,996
Excess (deficiency) of revenues over expenditures	74,428	-	57,808	132,236	(41,948)
Purchase of capital assets	(8,508)	-	8,508	-	-
Disposal of capital assets	278,723	-	(278,723)	-	-
Repayment of callable debt including interest	(76,800)	-	76,800	-	-
Transfer to (from) reserve	<u>39,375</u>	<u>(39,375)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<b><u>\$ 366,329</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 697,955</u></b>	<b><u>\$ 1,064,284</u></b>	<b><u>\$ 932,048</u></b>

# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Statement of Operations  
Year ended March 31, 2019

	2019	2018
<b>Revenues</b>		
Government grants	\$ 3,509,227	\$ 3,274,093
Community grants	93,443	124,080
Donations	93,154	80,932
Rental	55,348	101,796
	<u>3,751,172</u>	<u>3,580,901</u>
<b>Expenditures</b>		
Salaries and benefits	3,110,926	2,938,390
Repairs and maintenance	135,661	147,430
Program materials	105,747	66,292
Utilities	69,896	93,060
Food and household	53,444	65,363
Insurance	31,726	23,310
Telephone	30,425	37,286
Rent	23,160	30,233
Professional fees	22,830	52,691
Office	20,588	19,134
Training	17,511	31,893
Computer support	15,500	16,637
Special events	9,376	8,760
Travel and automotive	8,337	10,883
Interest on callable debt	7,875	10,507
Program development	6,869	4,905
Meetings and conventions	4,730	7,538
Advertising and promotion	4,716	14,574
Equipment lease	2,583	2,768
Automotive	1,809	3,759
Interest and bank charges	1,781	1,572
Bad debts	636	1,327
Subscriptions, permits and licenses	338	1,708
	<u>3,686,464</u>	<u>3,590,020</u>
<b>Excess (deficiency) of revenues over expenditures before following items</b>	<u>64,708</u>	<u>(9,119)</u>
<b>Other income (expenditure)</b>		
Amortization of deferred capital contributions	96,920	92,913
Gain on sale of capital assets	66,297	-
Net investment income	1,846	1,667
Amortization	(97,535)	(127,409)
	<u>67,528</u>	<u>(32,829)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 132,236</u>	<u>\$ (41,948)</u>



# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Statement of Cash Flows  
Year ended March 31, 2019

	2019	2018
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>Operating activities</b>		
Cash receipts from grants, donations and other	\$ 4,207,641	\$ 3,602,671
Cash paid to suppliers and employees	(3,655,579)	(3,589,079)
Interest paid	(9,656)	(12,079)
	<u>542,406</u>	<u>1,513</u>
<b>Investing activities</b>		
Purchase of capital assets	(8,508)	(91,418)
Proceeds on disposal of capital assets	278,723	-
	<u>270,215</u>	<u>(91,418)</u>
<b>Financing activities</b>		
Repayment of callable debt	(68,925)	(66,293)
Capital contributions received	-	19,690
	<u>(68,925)</u>	<u>(46,603)</u>
<b>Increase (decrease) in cash</b>	<b>743,696</b>	<b>(136,508)</b>
<b>Cash, beginning of year</b>	<b>683,933</b>	<b>820,441</b>
<b>Cash, end of year</b>	<b><u>\$ 1,427,629</u></b>	<b><u>\$ 683,933</u></b>

# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements  
March 31, 2019

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## 1. Nature of Operations

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Central Alberta's Safe Harbour Society for Health and Housing (the "Society") is a not-for-profit organization with the objective to welcome, shelter and support people with addictions, mental health or housing needs by facilitating opportunities for change.

The Society is incorporated under the Societies Act of Alberta and is a registered charity under the Income Tax Act and is therefore exempt from income tax in accordance with Section 149 of the Income Tax Act.

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## 2. Significant Accounting Policies

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These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

### **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets, amortization of capital contributions, and allocation of program expenses. Actual results may differ from management's best estimates as additional information becomes available in the future.

### **Cash and cash equivalents**

Cash equivalents include amounts designated as internally restricted to fund certain asset balances.

# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements  
March 31, 2019

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## 2. Significant Accounting Policies, continued

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### Capital assets

Purchased capital assets are recorded at cost. Capital grants are deferred and amortized to revenue at the same rate as the amortization of the capital asset acquired with the funds.

Amortization of capital assets is calculated using the following rates and methods:

Buildings	4% Declining balance
Winter Warming trailers	10 years Straight-line
Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance
Vehicles	30% Declining balance

One half amortization is calculated in the year of acquisition except for Winter Warming trailers which have a full year of amortization calculated in the year of acquisition. No amortization is calculated in the year of disposition.

### Financial instruments

The Society measures its financial instruments initially at fair value and subsequently measures them at amortized cost.

### Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if it can be reasonably estimated and collection is reasonably assured.

The Society recognizes rental revenue in the month that the rent becomes due in accordance with the lease agreements. Net investment income is recognized as revenue when earned.

# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements  
March 31, 2019

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## 2. Significant Accounting Policies, continued

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### Contributed goods and services

The Society benefits from contributed goods and services in the form of volunteer time to assist the Society in carrying out its activities. Due to the difficulty in determining the fair value of this time, the contributed services are not recognized in the financial statements.

Donations in kind of goods and services which would otherwise be purchased are recognized in the financial statements when an approximation of fair value can be obtained and the goods or services are received.

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## 3. Cash

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Included in cash is a savings account in the amount of \$58,834 (2018 - \$58,517) which bears interest at variable monthly rates with an effective rate of 0.5% throughout the year (2018 - 0.4%).

The Society receives grants specified for various programs. Included in cash is \$877,830 (2018 - \$511,404) of undisbursed funds that are subject to the restrictions as disclosed in note 6.

# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements  
March 31, 2019

## 4. Capital Assets

	Cost	Accumulated Amortization	2019 Net	2018 Net
Land	\$ 392,712	\$ -	\$ 392,712	\$ 442,712
Buildings	2,541,669	943,273	1,598,396	1,748,148
Winter Warming trailers	202,341	80,936	121,405	141,639
Furniture and fixtures	238,809	180,165	58,644	73,305
Computer equipment	117,978	89,427	28,551	46,636
Vehicles	6,800	5,829	971	1,388
Leasehold improvements	-	-	-	48,303
	<u>\$ 3,500,309</u>	<u>\$ 1,299,630</u>	<u>\$ 2,200,679</u>	<u>\$ 2,502,131</u>

During the year, the Society sold land and building with a net book value of \$192,061 for net proceeds of \$273,721 as well as computer equipment with a net book value of \$16,179 for proceeds of \$5,000. The Society also disposed of leasehold improvements with a net book value of \$4,184 when the People's Place program ended.

## 5. Accounts Payable and Accruals

	2019	2018
Accounts payable and accruals	\$ 41,483	\$ 58,419
Payroll source deductions payable	<u>39,925</u>	<u>-</u>
	<u>\$ 81,408</u>	<u>\$ 58,419</u>

# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements  
March 31, 2019

## 6. Deferred Contributions

Deferred contributions consist of funding received that applies to the future operations of the Society. The contributions have been externally restricted by the funder for the purpose of funding a specific project.

	Balance, beginning of year	Contributions Received	Contributions Recognized as Revenue	Surplus repaid	Balance, end of year
Medical Detox	\$ 374,999	\$ -	\$ (183,059)	\$ (108,436)	\$ 83,504
Coordinated Entry	71,090	336,854	(370,395)	-	37,549
Overflow Warming Center	-	191,994	(145,787)	-	46,207
People's Place Warming Centre	36,982	285,485	(322,467)	-	-
Daytime	22,100	266,186	(269,372)	-	18,914
Day Support	6,233	-	(6,233)	-	-
Warming Centre 24 Hours	-	632,000	-	-	632,000
Day Support	-	65,622	(5,966)	-	59,656
	<u>\$ 511,404</u>	<u>\$ 1,778,141</u>	<u>\$ (1,303,279)</u>	<u>\$ (108,436)</u>	<u>\$ 877,830</u>

Under the terms of the agreements with the funders, if a surplus has arisen on funds received, or has not been used according to the agreement, the Society shall be required to repay part or all of the annual surplus or it may be retained and utilized as the funders direct. Thus the Society's retention of such funds is contingent upon approval from the funders. It is management's opinion that the Society has complied with the terms of the agreements and will not be requested to repay the surplus balances above.

# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements  
March 31, 2019

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## 7. Callable Debt

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	<u>2019</u>	<u>2018</u>
Mortgage payable in monthly instalments of \$6,400 including interest at 3.90%, maturing May 2021. Collateral is provided by a general security agreement over all assets of the Society and a first mortgage over land and building with a net book value of \$1,494,065 (2018 - \$1,487,297).	<u>\$ 164,095</u>	<u>\$ 233,020</u>

Notwithstanding the demand nature of the loan, the estimated principal repayments are as follows:

2020	\$ 71,714
2021	74,561
2022	<u>17,820</u>
	<u>\$ 164,095</u>

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## 8. Unamortized Deferred Capital Contributions

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Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as income on the same basis as the assets are amortized over their useful life. Changes in the unamortized deferred capital contribution balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	<u>\$ 1,435,549</u>	\$ 1,508,772
Current year contributions	-	19,690
Amount recognized to revenue	<u>(96,920)</u>	<u>(92,913)</u>
	<u>\$ 1,338,629</u>	<u>\$ 1,435,549</u>

# CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements  
March 31, 2019

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## 9. Commitments

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The Society is committed for the payment of monthly security fees to Paladin Security Group Ltd., based on a calculation utilizing hourly rates and time worked. This commitment expires on October 8, 2019, and shall be automatically renewed for additional one year terms until termination.

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## 10. Economic Dependence

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The Society receives a substantial portion of its funding from the Government of Alberta. If funding is not received, its operations would be significantly reduced.

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## 11. Financial Instruments

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The Society's financial instruments consist of cash, accounts receivable, accounts payable and accruals, salaries and benefits payable and callable debt. It is management's opinion that the Society is not exposed to significant interest, currency, liquidity or market risk arising from these financial instruments except as follows:

### **Credit risk**

The Society is exposed to credit risk as there is a risk surrounding the receipt of payments from tenants.

### **Interest rate risk**

The Society is exposed to interest rate price risk as callable debt bears interest at a fixed interest rate.

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## 12. Comparative Figures

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Certain prior year balances in the statement of cash flows have been reclassified to be consistent with the current year presentation.