

CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING



Independent Auditor's Report and
Financial Statements

March 31, 2020



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INDEPENDENT AUDITOR'S REPORT

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, 2020, 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, 2020 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 donations 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, 2020, current assets and net assets as at April 1, 2019 and March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2019 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.

Emphasis of Matter

Without modifying our qualified opinion, we draw attention to Note 13 to the financial statements, which describes uncertainty related to the financial impact of the COVID-19 Pandemic.

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INDEPENDENT AUDITOR'S REPORT, continued

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.

INDEPENDENT AUDITOR'S REPORT, continued

- 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 25, 2020

RSM Alberta LLP

Chartered Professional Accountants

CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

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CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Statement of Financial Position
As at March 31, 2020

	2020	2019
ASSETS		
Current assets		
Cash (note 3)	\$ 738,204	\$ 1,427,629
Accounts receivable	56,557	5,203
Goods and Services Tax receivable	12,745	4,460
Prepaid expenses	<u>24,002</u>	<u>28,478</u>
	831,508	1,465,770
Long term investments (note 4)	476,500	-
Tangible capital assets (note 5)	<u>1,809,542</u>	<u>2,200,679</u>
	<u>\$ 3,117,550</u>	<u>\$ 3,666,449</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals (note 6)	\$ 94,443	\$ 81,408
Salaries and benefits payable	183,028	138,803
Deferred rental revenue and deposits	-	1,400
Deferred contributions (note 7)	206,241	877,830
Callable debt (note 8)	<u>92,444</u>	<u>164,095</u>
	576,156	1,263,536
Unamortized deferred capital contributions (note 9)	<u>1,082,567</u>	<u>1,338,629</u>
	<u>1,658,723</u>	<u>2,602,165</u>
NET ASSETS		
Unrestricted	824,296	366,329
Invested in capital assets	<u>634,531</u>	<u>697,955</u>
	<u>1,458,827</u>	<u>1,064,284</u>
	<u>\$ 3,117,550</u>	<u>\$ 3,666,449</u>

Commitments (note 10)

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, 2020

	Unrestricted	Invested in Capital Assets	Total 2020	Total 2019
Balance, beginning of year	\$ 366,329	\$ 697,955	\$ 1,064,284	\$ 932,048
Excess of revenues over expenditures	95,271	299,272	394,543	132,236
Disposal of capital assets	439,496	(439,496)	-	-
Repayment of callable debt including interest	<u>(76,800)</u>	<u>76,800</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 824,296</u>	<u>\$ 634,531</u>	<u>\$ 1,458,827</u>	<u>\$ 1,064,284</u>

CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Statement of Operations
Year ended March 31, 2020

	2020	2019
Revenues		
Government grants	\$ 4,528,871	\$ 3,508,795
Donations	96,183	93,154
Community grants	75,116	93,443
Rental	37,270	55,348
	<u>4,737,440</u>	<u>3,750,740</u>
Expenditures		
Salaries and benefits	3,452,813	3,054,376
Security	520,538	-
Repairs and maintenance	233,096	135,661
Program materials	84,825	105,747
Utilities	66,841	69,896
Food and household	60,024	53,444
Honorariums	56,450	56,550
Insurance	31,510	31,726
Telephone	19,354	30,425
Office	19,111	20,588
Training	17,835	17,511
Professional fees	17,425	22,830
Equipment lease	14,368	2,583
Computer support	12,485	15,500
Special events	10,671	9,376
Occupational health and safety	7,944	-
Meetings and conventions	7,557	4,730
Travel and automotive	6,099	8,337
Interest on callable debt	5,149	7,875
Automotive	4,979	1,809
Advertising and promotion	3,519	4,716
Interest and bank charges	2,129	1,781
Subscriptions, permits and licenses	325	338
Program development	264	6,869
Rent	-	23,160
Bad debts (recovered)	(350)	636
	<u>4,654,961</u>	<u>3,686,464</u>
Excess of revenues over expenditures before following items	<u>82,479</u>	<u>64,276</u>
Other income (expenditure)		
Amortization of deferred capital contributions	256,062	96,920
Gain on sale of tangible capital assets	145,349	66,297
Net investment income	7,643	2,278
Amortization	(96,990)	(97,535)
	<u>312,064</u>	<u>67,960</u>
Excess of revenues over expenditures	<u>\$ 394,543</u>	<u>\$ 132,236</u>

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

Statement of Cash Flows
Year ended March 31, 2020

	2020	2019
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from grants, donations and other	\$ 4,013,636	\$ 4,198,143
Cash paid to suppliers and employees	(4,587,128)	(3,646,081)
Interest paid	(7,278)	(9,656)
	<u>(580,770)</u>	<u>542,406</u>
Investing activities		
Purchase of long term investments	(476,500)	-
Purchase of tangible capital assets	-	(8,508)
Proceeds on disposal of tangible capital assets	439,496	278,723
	<u>(37,004)</u>	<u>270,215</u>
Financing activity		
Repayment of callable debt	(71,651)	(68,925)
Increase (decrease) in cash	(689,425)	743,696
Cash, beginning of year	<u>1,427,629</u>	<u>683,933</u>
Cash, end of year	<u>\$ 738,204</u>	<u>\$ 1,427,629</u>

CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements
March 31, 2020

1. Nature of Operations

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.

2. Significant Accounting Policies

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 expenses during the period. Significant areas requiring the use of estimates include: estimated useful lives of tangible 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 short term investments with maturities of less than three months at acquisition.

CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements
March 31, 2020

2. Significant Accounting Policies, continued

Tangible capital assets

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

Amortization of tangible 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

A half year of 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.

During the year the Society adopted the new accounting standard for tangible capital assets held by not-for-profit organizations. This standard is applied on a prospective basis. As a result of the implementation of this new standard, the Society has updated their policy as it relates to the impairment of tangible capital assets as follows:

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written down to the asset's fair value or replacement cost. The write down of the tangible capital asset is recorded as an expense in the statement of operations. A write-down is not reversed.

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, 2020

2. Significant Accounting Policies, continued

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.

3. Cash

Included in cash is a savings account in the amount of \$564,717 (2019 - \$58,834) which bears interest at variable monthly rates with an effective rate of 0.5% throughout the year (2019 - 0.5%). The remaining cash balance is held within a cash chequing account which bears interest at variable monthly rates with an effective rate of 0.15% throughout the year (2019 - 0.15%).

The Society receives grants specified for various programs. Included in cash is \$206,241 (2019 - \$877,830) of undisbursed funds that are subject to the restrictions as disclosed in note 7.

4. Long Term Investments

Long term investments consists of guaranteed investment certificates which mature between August 2021 to December 2021 and earn interest at a fixed rate between 2% - 2.15% per annum.

CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements
March 31, 2020

5. Tangible Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net</u>	<u>2019 Net</u>
Land	\$ 292,712	\$ -	\$ 292,712	\$ 392,712
Buildings	2,204,419	856,341	1,348,078	1,598,396
Winter Warming trailers	202,341	101,170	101,171	121,405
Furniture and fixtures	238,809	191,894	46,915	58,644
Computer equipment	117,978	97,992	19,986	28,551
Vehicles	6,800	6,120	680	971
	<u>\$ 3,063,059</u>	<u>\$ 1,253,517</u>	<u>\$ 1,809,542</u>	<u>\$ 2,200,679</u>

During the year, the Society sold land and buildings with a net book value of \$294,148 for net proceeds of \$439,496.

6. Accounts Payable and Accruals

	<u>2020</u>	<u>2019</u>
Accounts payable and accruals	\$ 94,443	\$ 41,483
Payroll source deductions payable	-	39,925
	<u>\$ 94,443</u>	<u>\$ 81,408</u>

CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements
March 31, 2020

7. 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	Balance, end of year
Coordinated Entry Warming Centre/Day Support	\$ 37,549	\$ 580,334	\$ (488,948)	\$ 128,937
Many Healing Blankets	710,570	1,018,574	(1,677,951)	51,193
Restricted donations	-	159,145	(139,004)	20,141
Medical Detox	-	5,970	-	5,970
Overflow Warming Center	83,504	-	(83,504)	-
	<u>46,207</u>	<u>-</u>	<u>(46,207)</u>	<u>-</u>
	<u>\$ 877,830</u>	<u>\$ 1,764,023</u>	<u>\$(2,435,614)</u>	<u>\$ 206,241</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, 2020

8. Callable Debt

	<u>2020</u>	<u>2019</u>
Mortgage payable in monthly instalments of \$6,400 including interest at 3.90%, maturing June 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 \$1,444,011 (2019 - \$1,494,065).	<u>\$ 92,444</u>	<u>\$ 164,095</u>

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

2021	\$ 74,561
2022	<u>17,883</u>
	<u>\$ 92,444</u>

9. Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of tangible 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>2020</u>	<u>2019</u>
Balance, beginning of year	<u>\$ 1,338,629</u>	\$ 1,435,549
Amount recognized to revenue	<u>(256,062)</u>	<u>(96,920)</u>
	<u>\$ 1,082,567</u>	<u>\$ 1,338,629</u>

CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements
March 31, 2020

10. Commitments

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, 2020, and shall be automatically renewed for additional one year terms until termination.

11. Economic Dependence

The Society receives a 83% (2019 - 81%) of its funding from the Government of Alberta. If this funding was not received, its operations would be significantly reduced.

12. Financial Instruments

The Society's financial instruments consist of cash, accounts receivable, long term investments, 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 long term investments and callable debt bear interest at a fixed interest rates.

CENTRAL ALBERTA'S SAFE HARBOUR SOCIETY FOR HEALTH AND HOUSING

Notes to the Financial Statements
March 31, 2020

13. COVID-19 Pandemic

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Alberta declared a provincial state of public health emergency as per the Province of Alberta's Public Health Act on March 17, 2020 with respect to COVID-19.

The Society is deemed to provide essential services and has continued to remain operational with safety protocols in place related to COVID-19. There is a rotation of employees working remotely and at the office. The Society has not seen an impact on current funding and has received additional funding subsequent to year-end in response to COVID-19.

The extent to which COVID-19 impacts the Society's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain this or its impact, among others

14. Comparative Figures

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