

Closer to Home Community Services Society

Financial Statements
March 31, 2017



June 15, 2017

Independent Auditor's Report

To the Directors of Closer to Home Community Services Society

We have audited the accompanying financial statements of Closer to Home Community Services Society (the "Society"), which comprise the balance sheet as at March 31, 2017 and the statements of operations and changes in net assets and cash flows for the year then ended, and the related notes including 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

*PricewaterhouseCoopers LLP
111 5 Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825*



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2017, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Closer to Home Community Services Society

Balance Sheet

As at March 31, 2017

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash | 137,863 | 59,947 |
| Short-term investments | 603,852 | 303,346 |
| Accounts receivable | 61,290 | 43,795 |
| Prepaid expenses | 55,512 | 47,572 |
| | <u>858,517</u> | <u>454,660</u> |
| Asset held for sale | - | 217,843 |
| Capital assets (note 3) | <u>659,708</u> | <u>712,964</u> |
| | <u>1,518,225</u> | <u>1,385,467</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 11) | 311,337 | 279,707 |
| Deferred contract revenue | 45,466 | 6,008 |
| Deferred donation contributions (note 7) | 81,411 | 125,448 |
| Current portion of mortgages payable (note 5) | 55,822 | 64,692 |
| | <u>494,036</u> | <u>475,855</u> |
| Mortgages payable (note 5) | 748,490 | 1,062,771 |
| Deferred capital contributions (note 6) | <u>100,193</u> | <u>127,233</u> |
| | <u>1,342,719</u> | <u>1,665,859</u> |
| Net assets | | |
| Unrestricted | <u>175,506</u> | <u>(280,392)</u> |
| | <u>1,518,225</u> | <u>1,385,467</u> |
| Contingencies and commitments (notes 9 and 10) | | |

Approved by the Board of Directors

(Signed) " _____ ", Director

(Signed) " _____ ", Director

The accompanying notes are an integral part of these financial statements.

Closer to Home Community Services Society

Statement of Operations and Changes in Net Assets

For the year ended March 31, 2017

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| Revenue | | |
| Contract | 4,115,447 | 4,210,825 |
| Service fees | 106,590 | 156,394 |
| Grants, donations and donations-in-kind | 516,183 | 355,138 |
| Interest | 5,455 | 5,340 |
| | <hr/> | <hr/> |
| Total revenue | 4,743,675 | 4,727,697 |
| | <hr/> | <hr/> |
| Program expenses | | |
| Salaries and benefits | 3,011,856 | 3,068,204 |
| Counsellor per diems | 425,550 | 429,635 |
| Service delivery | 416,799 | 424,534 |
| Facility | 231,988 | 254,512 |
| | <hr/> | <hr/> |
| | 4,086,193 | 4,176,885 |
| | <hr/> | <hr/> |
| Administrative expenses | | |
| Salaries and benefits | 387,974 | 385,037 |
| Other administration | 122,389 | 122,228 |
| Office | 58,717 | 51,061 |
| | <hr/> | <hr/> |
| | 569,080 | 558,326 |
| | <hr/> | <hr/> |
| Other | | |
| Amortization of capital assets | 61,988 | 78,502 |
| Amortization of deferred capital contributions | (12,540) | (14,007) |
| Capital campaign revenue | (10,000) | - |
| Capital campaign expenditures | 10,000 | - |
| | <hr/> | <hr/> |
| | 49,448 | 64,495 |
| | <hr/> | <hr/> |
| Total expenses | 4,704,721 | 4,799,706 |
| | <hr/> | <hr/> |
| Excess (deficiency) of revenue over expenses | 38,954 | (72,009) |
| Gain on sale of capital asset | 416,944 | - |
| | <hr/> | <hr/> |
| Excess (deficiency) of revenue over expenses | 455,898 | (72,009) |
| Deficiency of net assets – Beginning of year | (280,392) | (208,383) |
| | <hr/> | <hr/> |
| Excess (deficiency) of net assets – End of year | 175,506 | (280,392) |
| | <hr/> | <hr/> |

The accompanying notes are an integral part of these financial statements.

Closer to Home Community Services Society

Statement of Cash Flows

For the year ended March 31, 2017

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess (deficiency) of revenue over expenses | 455,898 | (72,009) |
| Adjustments for: | | |
| Gain on sale of capital asset | (416,942) | |
| Amortization of capital assets | 61,988 | 78,502 |
| Amortization of deferred capital contributions | (12,540) | (14,007) |
| Capital campaign revenue | (10,000) | - |
| | <u>78,404</u> | <u>(7,514)</u> |
| Changes in non-cash working capital | | |
| Accounts receivable | (17,495) | 977 |
| Prepaid expenses | (7,940) | 16,902 |
| Accounts payable and accrued liabilities | 31,630 | (231,255) |
| Deferred revenue | 39,458 | (27,453) |
| Deferred contributions | (44,037) | 56,579 |
| | <u>80,020</u> | <u>(191,764)</u> |
| Investing activities | | |
| Proceeds on sale of capital assets | 621,553 | (55,237) |
| Purchase of short-term investments, net | (300,506) | (3,346) |
| | <u>321,047</u> | <u>(58,583)</u> |
| Financing activities | | |
| Deferred capital contributions | - | 19,988 |
| Repayment of mortgages payable | (323,151) | (63,101) |
| | <u>(323,151)</u> | <u>(43,113)</u> |
| Increase (decrease) in cash for the year | 77,916 | (293,460) |
| Cash – Beginning of year | 59,947 | 353,407 |
| Cash – End of year | <u>137,863</u> | <u>59,947</u> |

The accompanying notes are an integral part of these financial statements.

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2017

1 Purpose of organization

Closer to Home Community Services Society (the “Society”) is a not-for-profit organization incorporated under the Societies Act of the Province of Alberta. The Society is also a registered charity under the Income Tax Act and therefore is not subject to income taxes. The Society provides social services for at-risk children and families, including counselling, support and education. The Society is also registered under the Charitable Fundraising Act of Alberta and has considered all required disclosures under Section 7(2) of the Act in preparing these financial statements.

2 Significant accounting policies

a) Basis of presentation

The Society prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

b) Measurement uncertainty

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates, and differences could be material. Significant estimates include the estimated useful lives of capital assets, the collectability of accounts receivable and measurement of accrued liabilities.

c) Short-term investments

Short term investments consist of highly liquid guaranteed investment certificates with terms less than one year to maturity, bearing interest at 0.65% per annum.

d) Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for capital asset expenditures are deferred and recognized as revenue as the related capital assets are amortized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contract revenue is recorded as contract requirements and obligations are completed. Any amounts received in advance of contractual requirements being met are recorded as deferred revenue. Service fee revenues are recorded when the related services are rendered, collection of any receivable is probable and the amount to be recorded is determinable.

Investment income and rental income are recognized as revenue when earned.

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2017

e) Donated goods and services

Donations in kind are recorded at fair market value only when fair market can be reasonably estimated and when the donated goods and services would normally otherwise be purchased and paid for by the Society. The value of donations in kind recorded during the year was \$23,536 (2016 – \$18,520).

Volunteers contribute their services to assist the Society in carrying out its activities, but because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

f) Capital assets

Capital assets are stated at historical cost less accumulated amortization. Amortization is recorded using a straight-line basis over their estimated useful lives at the following rates:

| | |
|---------------------------------|----------------------------|
| Buildings | 20 years |
| Motor vehicles | 5 years |
| Computer equipment and software | 3 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Over the term of the lease |

g) Financial instruments

The Society initially measures financial assets and financial liabilities at their fair value. It subsequently measures its financial assets and financial liabilities at amortized cost. The financial assets subsequently measured at amortized cost include cash, accounts receivable and short-term investments. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities and mortgages payable.

i) Credit risk

The Society does not have a concentration of credit exposure with any one donor or member. The Society does not consider that it is exposed to undue credit risk.

ii) Liquidity risk

Liquidity risk is the risk that the Society is not able to meet its financial obligations as they become due. The Society is able to sufficiently maintain appropriate levels of liquidity by monitoring operating cash flow requirements, following a detailed program and administrative budget, and by using short-term and long-term borrowings where and when necessary.

iii) Interest rate risk

The Society is not exposed to significant interest rate risk.

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2017

3 Capital assets

| | 2017 | | |
|------------------------|------------------|---------------------|----------------|
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | |
| Land | 393,795 | - | 393,795 |
| Buildings | 1,083,512 | 829,614 | 253,898 |
| Motor vehicles | 42,026 | 42,026 | - |
| Computer equipment | 41,432 | 32,775 | 8,657 |
| Computer software | 40,050 | 40,050 | - |
| Furniture and fixtures | 56,034 | 52,676 | 3,358 |
| Leasehold improvements | 118,299 | 118,299 | - |
| | 1,775,148 | 1,115,440 | 659,708 |

| | 2016 | | |
|------------------------|------------------|---------------------|----------------|
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | |
| Land | 393,795 | - | 393,795 |
| Buildings | 1,083,512 | 775,764 | 307,748 |
| Motor vehicles | 42,026 | 42,026 | - |
| Computer equipment | 35,932 | 25,979 | 9,953 |
| Computer software | 40,050 | 40,050 | - |
| Furniture and fixtures | 48,352 | 46,884 | 1,468 |
| Leasehold improvements | 118,299 | 118,299 | - |
| | 1,761,966 | 1,049,002 | 712,964 |

4 Available demand loan

The Society has a revolving line of credit of \$50,000 (2016 – \$150,000) of which \$nil (2016 – \$nil) was drawn as at March 31, 2017. The loan revolves in increments of \$5,000, bears interest at 1.50% per annum over the bank's prime lending rate, payable monthly and is secured by substantially all of the Society's assets. The Society is required to provide an audited financial statement within 120 days of the fiscal year end and such other financial and operations statements and reports as and when the bank may reasonably require.

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2017

5 Mortgages payable

| | 2017 \$ | 2016 \$ |
|--|---------------------|-----------------------|
| Royal Bank of Canada loan bearing interest at bank prime rate plus 0.25% per annum, repayable in monthly blended payments of \$1,532. The loan matures on April 15, 2019 and is secured by a collateral mortgage covering land and a building with a carrying value of \$178,817 (2016 - \$270,147). | 259,575 | 270,147 |
| Royal Bank of Canada loan bearing interest at 2.99% per annum, repayable in monthly blended payments of \$1,497. The loan matures on June 12, 2019 and is secured by a collateral mortgage covering land and a building with a carrying value of \$297,824 (2016 - \$331,787) | 134,749 | 148,486 |
| Royal Bank of Canada loan bearing interest at 3.14% per annum, repayable in monthly blended payments of \$1,726. The loan matures on April 30, 2020 and is secured by a collateral mortgage covering land and a building with a carrying value of \$nil (2016 - \$207,782) This loan was repaid during the year. | - | 268,846 |
| Royal Bank of Canada loan bearing interest at 2.99% per annum, repayable in monthly blended payments of \$1,778. The loan matures on June 12, 2019 and is secured by a collateral mortgage covering land and a building with a carrying value of \$115,527 (2016 - \$132,183) | 204,994 | 219,992 |
| Royal Bank of Canada loan bearing interest at 2.99% per annum, repayable in monthly blended payments of \$1,778. The loan matures on June 12, 2019 and is secured by a collateral mortgage covering land and a building with a carrying value of \$55,523 (2016 - \$79,135) | 204,994 | 219,992 |
| | <hr/> | <hr/> |
| Current portion | 804,312 (55,822) | 1,127,463 (64,692) |
| | <hr/> | <hr/> |
| | 748,490 | 1,062,771 |
| | <hr/> | <hr/> |

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2017

Expected principal repayments to the end of loan maturity, due in each of the next three years are as follows:

| | \$ |
|------|---------|
| 2018 | 55,822 |
| 2019 | 57,556 |
| 2020 | 690,934 |
| | <hr/> |
| | 804,312 |
| | <hr/> |

6 Deferred capital contributions

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| Balance – Beginning of year | 127,233 | 121,252 |
| Contributions received during the year | - | 19,988 |
| | <hr/> | <hr/> |
| | 127,233 | 141,240 |
| Amounts recognized as revenue in the year: | | |
| Amortized to revenue | (22,540) | (14,007) |
| Related to assets sold | (4,500) | - |
| | <hr/> | <hr/> |
| Balance – End of year | 100,193 | 127,233 |
| | <hr/> | <hr/> |

7 Deferred donation contributions

| | 2017 \$ | 2016 \$ |
|---|------------|------------|
| Balance – Beginning of year | 125,448 | 68,869 |
| Contributions received during the year | 367,711 | 350,598 |
| | <hr/> | <hr/> |
| | 493,159 | 419,467 |
| Amounts recognized as revenue in the year | (411,748) | (294,019) |
| | <hr/> | <hr/> |
| Balance – End of year | 81,411 | 125,448 |
| | <hr/> | <hr/> |

Contributions are deferred when a donor restricts the usage of the contribution to a specific purpose. The majority relates to amounts received for programs run by the Society.

Included in contributions received during the year is the city of Calgary Emergency Resiliency Fund grant of \$57,000. The Society incurred \$57,002 related to this grant.

8 Economic dependence

The Society is economically dependent on the Calgary and Area Child and Family Services Authority. It receives substantially all of its revenue from this source in the form of contracts and fees for services.

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2017

9 Contingencies

As of March 31, 2017, the Society was subject to one lawsuit. An action was brought against the Society in fiscal 2003 by a former client, who alleges he was left unsupervised by his foster parents who were in the employment of the Society. The plaintiff maintains the actions of the Society have caused him bodily and mental injuries and has thereby suffered loss and damages.

Management believes they have adequate liability insurance to cover any loss resulting from this action so there will be no material impact on the financial position of the Society. No provision with respect to these claims has been made in the financial statements.

10 Commitments

The Society has lease commitments under operating leases for office space, vehicles and office equipment. Future minimum lease payments due until the end of the contracts are as follows:

| | \$ |
|------|---------|
| 2018 | 127,614 |
| 2019 | 130,074 |
| 2020 | 112,455 |

11 Government remittances

Government remittances consist of amounts (such as sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$54,305 (2016 – \$39,530) is included in accounts payable and accrued liabilities.

Closer to Home Community Services Society

Service Delivery Expenses

(Schedule 1)

Supplementary Financial Information – For Additional Analysis Only

(Unaudited)

For the year ended March 31, 2017

| | 2017 | 2016 |
|-------------------------------------|---------|---------|
| | \$ | \$ |
| Materials and supplies | 105,037 | 84,541 |
| Travel and subsistence | 79,078 | 71,579 |
| Vehicle | 51,731 | 47,386 |
| Food | 70,541 | 88,912 |
| Pagers and cellular phones | 35,389 | 53,085 |
| Recreation | 10,157 | 12,518 |
| Spending money | 10,349 | 6,893 |
| Education conferences and workshops | 18,112 | 22,526 |
| Clothing | 14,218 | 14,384 |
| Family assistance | 796 | 839 |
| Personal incidentals | 4,773 | 3,459 |
| Gifts | 2,335 | 2,081 |
| Drugs and medical | 2,457 | 2,024 |
| Computer supplies | 11,826 | 14,307 |
| | <hr/> | <hr/> |
| | 416,799 | 424,534 |
| | <hr/> | <hr/> |

Closer to Home Community Services Society

Facility Expenses

(Schedule 2)

Supplementary Financial Information – For Additional Analysis Only

(Unaudited)

For the year ended March 31, 2017

| | 2017 | 2016 |
|-------------------------------|---------|---------|
| | \$ | \$ |
| Rent* | 101,744 | 99,235 |
| Maintenance and repairs | 47,738 | 60,651 |
| Interest on mortgages payable | 19,851 | 36,518 |
| Utilities | 33,398 | 37,873 |
| Facility supplies | 11,406 | 11,383 |
| Insurance | 8,625 | 8,852 |
| | <hr/> | <hr/> |
| | 222,762 | 254,512 |
| | <hr/> | <hr/> |

*Includes office space which is used for programs and administration.

Closer to Home Community Services Society

Other Administration

(Schedule 3)

Supplementary Financial Information – For Additional Analysis Only

(Unaudited)

For the year ended March 31, 2017

| | 2017 | 2016 |
|------------------------------------|-------------|-------------|
| | \$ | \$ |
| Professional fees | 28,210 | 30,359 |
| Staff liability insurance | 24,119 | 26,872 |
| Staff and board travel and expense | 13,351 | 13,971 |
| Consulting | 19,851 | 28,681 |
| Staff training | 8,864 | 6,116 |
| Staff recruitment | 4,866 | 5,069 |
| Legal fees | 378 | 225 |
| Telephone | 3,775 | 4,109 |
| Advertising | 18,975 | 6,826 |
| | <hr/> | <hr/> |
| | 122,389 | 122,228 |
| | <hr/> | <hr/> |

Closer to Home Community Services Society

Office Expenses

(Schedule 4)

Supplementary Financial Information – For Additional Analysis Only

(Unaudited)

For the year ended March 31, 2017

| | 2017 | 2016 |
|-----------------------------|---------------|---------------|
| | \$ | \$ |
| Office supplies and postage | 16,972 | 19,010 |
| Office equipment lease | 18,182 | 12,839 |
| Bank charges | 9,688 | 8,512 |
| Association dues | 13,153 | 11,232 |
| Bad debts | - | - |
| Foreign exchange | 722 | (532) |
| | <hr/> | <hr/> |
| | 58,717 | 51,061 |
| | <hr/> | <hr/> |

