

Closer to Home Community Services Society

Financial Statements
March 31, 2020



Independent auditor's report

To the Directors of Closer to Home Community Services Society

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Closer to Home Community Services Society (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.

What we have audited

The Society's financial statements comprise:

- the balance sheet as at March 31, 2020;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

Independence

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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.
- 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta

June 26, 2020

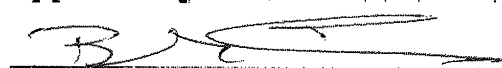
Closer to Home Community Services Society

Balance Sheet

As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash	1,777,958	319,214
Short-term investments	-	579,118
Accounts receivable	252,544	86,334
Refundable deposit on Bow Trail land (note 4)	-	50,000
Prepaid expenses	84,974	51,083
	<u>2,115,476</u>	<u>1,085,749</u>
Capital assets (note 4)	<u>3,944,433</u>	<u>613,972</u>
	<u>6,059,909</u>	<u>1,699,721</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 14)	600,138	359,855
Deferred contract revenue (note 8)	963,396	36,466
Deferred donation contributions (note 10)	484,817	251,307
Current portion of mortgages payable (note 7)	51,537	65,214
	<u>2,099,888</u>	<u>712,842</u>
Secured loan (notes 4 and 5)	<u>2,600,000</u>	
Mortgages payable (note 7)	<u>941,602</u>	<u>628,971</u>
Deferred capital contributions (note 9)	<u>126,019</u>	<u>195,256</u>
	<u>5,767,709</u>	<u>1,537,069</u>
Net assets		
Unrestricted	92,200	162,952
Internally restricted (note 15)	<u>200,000</u>	<u>-</u>
	<u>6,059,909</u>	<u>1,699,721</u>
Contingencies and commitments (notes 12 and 13)		

Approved by the Board of Directors



Director



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, 2020

	2020 \$	2019 \$
Revenue		
Contract	4,596,248	4,342,596
Grants, donations and donations in kind	926,242	651,389
Service fees	380,715	310,508
Interest	15,501	11,357
	<u>5,918,706</u>	<u>5,315,850</u>
Program expenses		
Salaries and benefits	3,764,913	3,380,900
Service delivery	695,350	624,618
Counsellor per diems	394,397	414,810
Facility	306,148	255,292
	<u>5,160,808</u>	<u>4,675,620</u>
Administrative expenses		
Salaries and benefits	409,402	413,293
Other administration	108,595	124,772
Office	66,444	48,437
	<u>584,441</u>	<u>586,502</u>
Other		
Amortization of capital assets	61,515	59,165
Amortization of deferred capital contributions	(17,606)	(14,654)
Capital campaign revenue	(111,584)	(22,941)
Capital campaign expenditures	111,584	22,941
	<u>43,909</u>	<u>44,511</u>
	<u>5,789,158</u>	<u>5,306,633</u>
Excess of revenue over expenses	129,548	9,217
Net assets – Beginning of year	<u>162,652</u>	<u>153,435</u>
Net assets – End of year	<u>292,200</u>	<u>162,652</u>

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, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	129,548	9,217
Adjustments for		
Amortization of capital assets	61,515	59,165
Amortization of deferred capital contributions	(17,606)	(14,654)
Capital campaign revenue	(111,584)	(22,941)
	61,873	30,787
Changes in non-cash working capital		
Accounts receivable	(166,210)	9,426
Prepaid expenses	(33,891)	(18,701)
Accounts payable and accrued liabilities	240,283	56,947
Deferred contract revenue	926,930	-
Deferred donation contributions	233,510	169,447
	1,262,495	247,906
Investing activities		
Purchase of capital assets	(3,391,976)	(38,103)
Sale of short-term investments	579,118	35,868
Refundable deposit	50,000	(50,000)
	(2,762,858)	(52,235)
Financing activities		
Proceeds from secured loan	2,600,000	-
Deferred capital contributions	59,953	39,450
Mortgage proceeds (repayment) – net	299,154	(55,059)
	2,959,107	(15,609)
Increase in cash for the year	1,458,744	180,062
Cash – Beginning of year	319,214	139,152
Cash – End of year	1,777,958	319,214

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

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2020

1 Purpose of organization

Closer to Home Community Services Society (the Society or CTH) 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 (Canada) 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 (the Act) and has considered all required disclosures under Section 7(2) of the Act in preparing these financial statements.

2 Change in accounting policies

Effective April 1, 2019, the Society adopted the new standard in the Chartered Professional Accountants of Canada Handbook, Part III – Accounting for Not-for-Profit Organizations Section 4433 (Tangible Capital Assets Held by Not-for-Profit Organizations).

The adoption of Section 4433 – Tangible Capital Assets Held by Not-for-Profit Organizations resulted in a change to the Society's accounting policies with respect to componentization and amortization of tangible capital assets. The cost of tangible capital assets made up of significant separable component parts is now allocated to the component parts when practicable and when estimates can be made of the estimated useful lives of the separate components.

In accordance with the transitional provisions in Section 4433, the cost and related accumulated amortization of those tangible capital assets identified as having significant separable components were not allocated to their component parts as of April 1, 2019, as there is no material impact to the financial statements.

Also, in accordance with Section 4433, the Society's accounting policies with respect to impairment of capital assets has been revised (note 3).

3 Summary of significant accounting policies

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.

Measurement uncertainty

The preparation of the financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and 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 collectibility of accounts receivable and measurement of accrued liabilities.

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2020

Short-term investments

Short-term investments consist of highly liquid guaranteed investment certificates with terms less than one year to maturity, bearing interest at 1.00% per annum.

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 is recognized as revenue when earned.

Donated goods and services

Donations in kind are recorded at fair market value only when fair market value 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 \$39,387 (2019 – \$45,631).

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.

Capital assets

Capital assets are stated at historical cost less accumulated amortization. The cost of a tangible asset made up of significant separable component parts is allocated to component parts when practicable and when estimates can be made of the lives of the separate components. Amortization is recorded using a straight-line basis over their estimated useful lives at the following rates:

Buildings	20 years
Computer equipment and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	over the term of the lease

Capital assets are tested for impairment when conditions indicate that a capital assets no longer contributes to the Society's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2020

replacement cost. Writedowns of capital assets are recognized as expenses in the statement of operations and changes in net assets. Writedowns are not subsequently reversed.

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, short-term investments and refundable deposits. 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 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.

4 Capital assets

	2020		
	Cost \$	Accumulated amortization \$	Net \$
Land	393,795	-	393,795
Buildings	1,134,985	981,768	153,217
Computer equipment	69,920	56,950	12,970
Computer software	80,003	42,270	37,733
Furniture and fixtures	63,233	58,310	4,923
Leasehold improvements	118,299	118,299	-
Land held for development	3,228,750	-	3,228,750
Land development costs	113,045	-	113,045
	5,202,030	1,257,597	3,944,433

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2020

	2019		
	Cost \$	Accumulated amortization \$	Net \$
Land	393,795	-	393,795
Buildings	1,133,931	932,878	201,053
Computer equipment	61,923	48,512	13,411
Computer software	40,050	40,050	-
Furniture and fixtures	62,056	56,343	5,713
Leasehold improvements	118,299	118,299	-
	1,810,054	1,196,082	613,972

On November 1, 2019, the Society purchased the Bow Trail land from the City of Calgary for \$3,150,000. Consideration for the purchase comprised a \$2,600,000 secured loan from The Calgary Foundation (the TCF secured loan), the Bow Trail refundable deposit and cash, \$352,095 of which was generated by the mortgage refinancing (note 7).

The City of Calgary has an option to repurchase the land in the event that the building commitment is not 25% complete by the building commitment date of November 1, 2022, or if the Society provides the City with written notice that they are not proceeding with the construction. The repurchase price will be the purchase price above, less the \$68,000 finder's fee that was paid to CTH's real estate agent on the original purchase transaction.

Included in land held for development is non-refundable GST on the purchase of \$78,750. Included in land development costs is accrued interest on the TCF secured loan of \$46,016.

5 Secured loan

The TCF secured loan of \$2,600,000 bears interest at a rate of 4.25% per annum, payable semi-annually, and is secured by a first charge registered to the Bow Trail land title. The TCF secured loan is repayable on demand, or the earlier of the date of disposition of the land and one day prior to the expiration of the land repurchase option with the City of Calgary (note 4). The Calgary Foundation has provided confirmation to CTH that they do not intend to demand repayment prior to March 31, 2021; therefore, the loan has been classified as long term on the balance sheet.

6 Available demand loan

The Society has a revolving line of credit of \$50,000 (2019 – \$50,000) of which \$nil (2019 – \$nil) was drawn as at March 31, 2020. 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 90 days of the fiscal year-end and such other financial and operations statements and reports as and when the bank may reasonably request.

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2020

7 Mortgages payable

	2020 \$	2019 \$
Royal Bank of Canada loan bearing interest at 3.09% per annum, repayable in monthly blended payments of \$1,391. The loan matures on June 13, 2023 and is secured by a collateral mortgage covering land and a building with a carrying value of \$143,249 (2019 – \$156,569).	232,353	240,905
Royal Bank of Canada loan bearing interest at 4.26% per annum, repayable in monthly blended payments of \$2,467. The loan matures on June 12, 2023 and is secured by a collateral mortgage covering land and a building with a carrying value of \$248,603 (2019 – \$264,788). The loan was refinanced in June 2019 in the amount of \$352,095 to fund the Bow Trail land purchase (note 4).	446,418	106,021
Royal Bank of Canada loan bearing interest at 3.09% per annum, repayable in monthly blended payments of \$1,785. The loan matures on June 12, 2023 and is secured by a collateral mortgage covering land and a building with a carrying value of \$80,660 (2019 – \$94,219).	157,284	173,629
Royal Bank of Canada loan bearing interest at 3.09% per annum, repayable in monthly blended payments of \$1,785. The loan matures on June 12, 2023 and is secured by a collateral mortgage covering land and a building with a carrying value of \$75,395 (2019 – \$79,272).	157,284	173,630
Current portion	993,339 (51,537)	694,185 (65,214)
	<u>941,802</u>	<u>628,971</u>

Principal repayments due in the next five years and thereafter, are as follows:

	\$
2021	51,537
2022	55,746
2023	57,628
2024	59,575
2025	61,589
Thereafter	707,264

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2020

8 Deferred contract revenue

	2020 \$	2019 \$
The City of Calgary	-	36,466
The Ministry of Children's Services	963,396	-
	<u>963,396</u>	<u>36,466</u>

In March 2020, CTH received a \$1.15M retroactive group home funding increase from the Ministry of Children's Services for FY2020. The Ministry of Children's Services has permitted CTH to defer the unused portion of this funding to FY2021.

9 Deferred capital contributions

	2020 \$	2019 \$
Balance – Beginning of year	195,256	193,402
Contributions received during the year	<u>59,953</u>	<u>39,451</u>
	255,209	232,853
Amounts recognized as revenue in the year		
Amortized to revenue	<u>(129,190)</u>	<u>(37,597)</u>
Balance – End of year	<u>126,019</u>	<u>195,256</u>

10 Deferred donation contributions

	2020 \$	2019 \$
Balance – Beginning of year	251,307	81,860
Contributions received during the year	<u>876,788</u>	<u>518,550</u>
	1,128,095	600,410
Amounts recognized as revenue in the year	<u>(643,278)</u>	<u>(349,103)</u>
Balance – End of year	<u>484,817</u>	<u>251,307</u>

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.

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2020

11 Economic dependence

The Society is economically dependent on the Ministry of Children's Services. It receives 75% (2019 – 77%) of its revenue from this source in the form of contracts and fees for services.

12 Contingencies

As at March 31, 2020, 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.

13 Commitments

The Society has entered into contracts totalling \$571,000 related to the Bow Trail land development building permit and related capital campaign. As at March 31, 2020, \$474,500 remain outstanding on these contracts.

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

	\$
2021	129,740
2022	105,440
2023	105,440
2024	105,440
2025	105,440

14 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, \$104,442 (2019 – \$34,774) is included in accounts payable and accrued liabilities.

15 Internally restricted net assets

The Society's Board of Directors has internally restricted net assets of \$200,000 for use on capital campaign expenses and soft costs related to the development of the Bow Trail land.

Closer to Home Community Services Society

Notes to Financial Statements

March 31, 2020

16 COVID-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic resulting in significant public health measures and restrictions put in place. Restrictions such as travel bans, closure of non-essential businesses and physical distancing have caused disruption to businesses and a significant decline in global capital markets resulting in an economic slowdown.

The long-term impact of the pandemic on the Society and the economy is not yet known and information surrounding the global economic impact of COVID-19 and the estimated length of the pandemic continues to evolve. Future impacts of the pandemic may have financial effects on the Society's future revenues and operating results. As the Society is an essential service, management does not believe COVID-19 has a material future financial impact to its revenues and operating results subsequent to March 31, 2020.

Closer to Home Community Services Society

Service Delivery Expenses

(Schedule 1)

Supplementary Financial Information – For Additional Information Only

(Unaudited)

For the year ended March 31, 2020

	2020 \$	2019 \$
Fund development initiatives	158,609	117,149
Family assistance	124,816	110,520
Travel and subsistence	110,334	99,424
Food	94,004	83,241
Materials and supplies	68,984	59,074
Vehicle	1,000	34,272
Telecommunications	35,464	33,142
Education conferences and workshops	17,474	15,389
Client training	1,570	14,603
Clothing	13,790	13,294
Recreation	18,180	13,076
Spending money	10,259	12,309
Computer supplies	27,109	11,054
Personal incidentals	4,611	4,667
Gifts	7,022	1,981
Drugs and medical	2,124	1,423
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	695,350	624,618

Closer to Home Community Services Society

Facility Expenses

(Schedule 2)

Supplementary Financial Information – For Additional Information Only

(Unaudited)

For the year ended March 31, 2020

	2020 \$	2019 \$
Rent*	134,933	102,345
Maintenance and repairs	59,687	52,674
Interest on mortgages payable	33,753	23,973
Utilities	48,155	48,083
Facility supplies	19,628	18,931
Insurance	9,992	9,286
	<u>306,148</u>	<u>255,292</u>

*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 Information Only

(Unaudited)

For the year ended March 31, 2020

	2020 \$	2019 \$
Professional fees	19,692	25,748
Staff and board liability insurance	27,792	25,348
Staff and board travel and expense	28,323	22,854
Advertising	12,467	19,302
Legal fees	5,384	17,089
Staff recruitment	6,009	5,079
Staff training	4,052	4,968
Telephone	1,295	3,796
Consulting	3,581	588
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	108,595	124,772

Closer to Home Community Services Society

Office Expenses

(Schedule 4)

Supplementary Financial Information – For Additional Information Only

(Unaudited)

For the year ended March 31, 2020

	2020 \$	2019 \$
Office supplies and postage	21,104	19,529
IT support and software	14,105	12,931
Bank charges	12,812	11,272
Association dues	18,197	4,060
Foreign exchange	226	645
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	66,444	48,437
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