Closer to Home Community Services Society

Financial Statements
March 31, 2022

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, 2022 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, 2022;
- 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 significant accounting policies and other explanatory information.

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.

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 28, 2022

Closer to Home Community Services Society
Balance Sheet
As at March 31, 2022

	2022 $	2021 $
Assets		
Current assets		
Cash	2,024,106	696,793
Short-term investments	1,046,573	1,461,314
Accounts receivable	83,793	665,479
Refundable deposits (note 3)	-	216,250
Prepaid expenses	92,994	93,477
	3,247,466	3,133,313
Capital assets (note 4)	6,965,735	4,753,960
	10,213,201	7,887,273
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	986,066	900,552
Deferred donation contributions (note 8)	632,447	545,169
Current portion of mortgages payable (note 7)	70,026	55,746
	1,688,539	1,501,467
Secured loan (notes 5 and 6)	-	2,600,000
Mortgages payable (note 7)	1,253,827	883,455
Deferred lease expense (note 10)	22,886	28,967
Deferred capital contributions (note 9)	4,014,043	526,677
	6,979,295	5,540,566
Net Assets		
Unrestricted retained earnings	1,159,107	1,071,908
Internally restricted (note 14)	2,074,799	1,274,799
	3,233,906	2,346,707
	10,213,201	7,887,273

Commitments (note 12)

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, 2022

	2022 $	2021 $
Revenue		
Contract	8,678,704	6,646,155
Canada Emergency Wage Subsidy (note 16)	1,196,217	1,842,058
Grants, donations and donations in kind	1,937,220	1,361,146
Service fees	152,392	447,537
Interest	24,259	14,971
	11,988,792	10,311,867
Program expenses		
Salaries and benefits	7,323,184	5,404,280
Service delivery	1,425,826	1,061,359
Counsellor per diems	406,311	439,804
Facility	551,866	448,037
Vehicle	53,177	-
	9,760,364	7,353,480
Administrative expenses		
Salaries and benefits	779,871	525,196
Other administration	216,806	148,780
Office	186,445	136,906
	1,183,122	810,882
Other expenses (income)		
Amortization of capital assets	174,478	98,527
Amortization of deferred capital contributions	(121,835)	(62,818)
Capital campaign expenditures	104,970	12,445
Unrealized loss on investments	-	35,419
Loss on sale of investments	494	9,425
	158,107	92,998
	11,101,593	8,257,360
Excess of revenue over expenses	887,199	2,054,507
Net assets – Beginning of year	2,346,707	292,200
Net assets – End of year	3,233,906	2,346,707

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, 2022

	2022 $	2021 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	887,199	2,054,507
Adjustments for		
Amortization of capital assets	174,477	98,527
Amortization of deferred capital contributions	(121,835)	(62,818)
Straight-line rent expense adjustment	-	28,967
Unrealized loss on investments	-	35,419
Capital campaign revenue	-	-
	939,841	2,154,602
Changes in non-cash working capital		
Accounts receivable	581,687	(412,935)
Prepaid expenses	482	(8,503)
Accounts payable and accrued liabilities	85,514	300,414
Deferred contract revenue	-	(963,396)
Deferred donation contributions	87,279	60,352
Deferred contributions: Capital Campaign	2,200,000	-
	3,894,803	1,130,534
Investing activities		
Purchase of capital assets	(1,405,376)	(509,762)
Bow Trail land development costs	(980,878)	(398,292)
Sale of short-term investments	414,742	499,310
Purchase of short-term investments	-	(1,996,043)
Refundable deposit	216,251	(216,250)
	(1,755,261)	(2,621,037)
Financing activities		
Repayment of secured loan	(2,600,000)	-
Deferred capital contributions	1,403,119	463,476
Mortgage proceeds	451,500	-
Mortgage repayment	(66,848)	(54,138)
	(812,229)	409,338
Increase (decrease) in cash for the year	1,327,313	(1,081,165)
Cash – Beginning of year	696,793	1,777,958
Cash – End of year	2,024,106	696,793

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

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 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 as at the date of the financial statements and the reported amounts of revenue 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.

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.

Subsidies received under Canada's COVID-19 Economic Response Plan are recognized as revenue in the period in which the entry is recognized as expenses for the related costs to which the subsidies are intended to compensate.

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 $56,066 (2021 – $33,103).

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	10 – 20 years
Computer equipment and software	3 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	over the term of the lease

Capital assets are tested for impairment when conditions indicate that a capital asset 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 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. If the financial asset is not subsequently accounted for at fair value through profit or loss, it is subsequently measured at amortized cost. The financial assets subsequently measured at amortized cost include cash, accounts receivable and refundable deposits. Investments are carried at fair value on a trade date basis with realized and unrealized gains or losses recognized directly in the statement of operations and changes in net assets along with transaction costs being expensed as incurred. 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.

3 Refundable deposits

In March 2021, the Society entered into an agreement to purchase a residential facility, held by a $116,250 refundable deposit. Additionally, the Society paid a $100,000 refundable licence fee to allow renovations to commence on the property prior to the close of the purchase.

This residence provides housing for a new youth community care program funded by Alberta Children's Services. This three-year contract, with annual revenue of $2,600,000, was awarded to the Society in February 2021.

On April 9, 2021, the residence was purchased for consideration of $775,000, comprised a $445,500 secured term loan, $188,250 of cash and the $116,250 deposit. The $100,000 licence fee was refunded in May 2021. The program began operations in August 2021.

4 Capital assets

			2022
	Cost $	Accumulated amortization $	Net $
Buildings	2,425,827	1,119,472	1,306,355
Furniture and fixtures	95,046	68,010	27,036
Computer equipment	168,528	108,656	59,872
Computer software	80,003	68,905	11,098
Vehicles	45,485	6,065	39,420
Leasehold improvements	242,687	159,494	83,193
Land	717,795	-	717,795
Land held for development	3,228,750	-	3,228,750
Land development costs	1,492,216	-	1,492,216
	8,496,337	1,530,602	6,965,735

			2021
	Cost $	Accumulated amortization $	Net $
Buildings	1,447,792	1,026,843	420,949
Furniture and fixtures	81,461	61,482	19,979
Computer equipment	124,258	77,596	46,662
Computer software	80,003	55,587	24,416
Leasehold improvements	242,687	134,617	108,070
Land	393,795	-	393,795
Land held for development	3,228,750	-	3,228,750
Land development costs	511,339	-	511,339
	6,110,085	1,356,125	4,753,960

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. CTH does not expect to meet the 25% completion target by November 1, 2022. However, through continuing discussions with the City of Calgary, CTH does not believe there is a likelihood of the City repurchasing the land. The repurchase price if required 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 $266,411 (2021 – $156,517).

5 Secured loan

The TCF secured loan of $2,600,000 was repaid in March of 2022. During the year, this loan bore interest at a rate of 4.25% per annum, payable semi-annually, and was secured by a first charge registered to the Bow Trail land title. The full loan amount was repaid plus $45,411 in accrued interest.

6 Available demand loan

The Society has a revolving line of credit of $50,000 (2021 – $50,000) of which $nil (2021 – $nil) was drawn as at March 31, 2022. 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.

7 Mortgages payable

	2022 $	2021 $
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 $234,102 (2021 – $261,972)	212,672	222,663
Royal Bank of Canada loan bearing interest at 4.26% per annum, repayable in monthly blended payments of $2,467. The loan matures on July 9, 2023 and is secured by a collateral mortgage covering land and a building with a carrying value of $306,302 (2021 – $300,820). The loan was refinanced in June 2019 in the amount of $352,095 to fund the Bow Trail land purchase (note 4)	424,362	435,624
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 $136,605 (2021 – $147,133)	123,106	140,457
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 $82,348 (2021 – $87,874)	123,106	140,457
Royal Bank of Canada loan bearing interest at 3.24% per annum, repayable in monthly blended payments of $2,198. The loan matures on March 31, 2026 and is secured by a collateral mortgage covering land and a building with a carrying value of $1,264,243	440,607	-
	1,323,853	939,201
Current portion	(70,026)	(55,746)
	1,253,827	883,455

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

	$
2023	70,026
2024	72,382
2025	74,819
2026	77,339
2027	79,945
2028	82,641
Thereafter	866,878

8 Deferred donation contributions

	2022 $	2021 $
Balance – Beginning of year	545,169	484,817
Contributions received during the year	2,313,342	1,077,206
	2,858,511	1,562,023
Amounts recognized as revenue in the year	(2,226,064)	(1,016,854)
Balance – End of year	632,447	545,169

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.

9 Deferred capital contributions

	2022 $	2021 $
Balance – Beginning of year	526,677	126,019
Contributions received during the year*	2,950,000	17,828
Deferred contract revenue allocated to capital in the year	659,200	445,647
	4,135,877	589,494
Amounts recognized as revenue in the year		
Amortized to revenue	(121,834)	(62,817)
Balance – End of year	4,014,043	526,677

*$2,200,000 of this amount was received from the Calgary Homeless Foundation as a grant towards the Bow Trail project. The full amount of this grant was used within the fiscal year towards pre-development of the Bow Trail project.

10 Deferred lease expense

Deferred lease expense is a result of accounting for initial rent-free periods in the Society's operating lease agreements using the straight-line method.

11 Economic dependence

The Society is economically dependent on the Ministry of Children's Services. It receives 71% (2021 – 65%) of its revenue from this source in the form of contracts and fees for services.

12 Commitments

The Society has entered into contracts totalling $1,987,000 related to development of the Bow Trail building and related capital campaign. As at March 31, 2022, $962,500 (2021 – $1,580,000) remains outstanding on these commitments.

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

	$
2023	308,998
2024	310,412
2025	225,037
2026	53,498
2027	26,400

13 Government remittances

Government remittances consist of payroll withholding taxes required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, $90,237 (2021 – $1,966) is included in accounts payable and accrued liabilities.

14 Internally restricted net assets

Internally restricted funds are authorized for use by the Society's Board of Directors and are designated for the following purposes:

- Capital Reserve Fund represents funds internally restricted towards capital campaign expenses and pre-construction costs related to the Bow Trail building.

- Program Reserve Fund represents funds internally restricted towards support of new community-based programs and operational contingencies.

			2022
	Program Reserve Fund $	**Capital Reserve Fund Bow Trail Building $**	**Net $**
Balance – Beginning of year	400,000	874,799	1,274,799
Additions	200,000	600,000	800,000
Balance – End of year	600,000	1,474,799	2,074,799

			2021
	Program Reserve Fund $	**Capital Reserve Fund Bow Trail Building $**	**Net $**
Balance – Beginning of year	-	200,000	200,000
Additions	400,000	700,000	1,100,000
Usage	-	(25,201)	(25,201)
Balance – End of year	400,000	874,799	1,274,799

15 COVID-19 pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include restrictions on events and gatherings, the implementation of travel bans, quarantine periods and physical distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have introduced significant monetary and fiscal relief programs designed to stabilize economic conditions; however, the situation is dynamic, and the success of these interventions is not currently determinable.

Management has assessed the financial impact of COVID-19 at March 31, 2022, including the collectibility of receivables, valuation of assets and impact on its borrowing agreements. The current economic challenges have resulted in uncertainties in future funding and cash flows as well as an increased demand for social services for children and families. COVID-19 may have the following impacts on future operations of the Society: funding uncertainty and issues with collectibility of contract and donation revenue. To mitigate any potential operational constraints associated with cash flow, management has applied for certain government relief programs (note 16). As CTH is a provider of essential services, management does not believe COVID-19 will have a material future financial impact on its revenue and operating results subsequent to March 31, 2022.

The Society will continue to monitor the impact of the pandemic on the community that it serves and its employees and continue to adjust to the volatile situation.

16 Government grants

In response to the COVID-19 pandemic, the Government of Canada implemented the COVID-19 Economic Response Plan. Under the plan, the Society was eligible for the Canada Emergency Wage Subsidy (CEWS) in which Canadian businesses impacted by COVID-19 may be eligible for wage subsidies for any four-week period retroactive from March 15, 2020. To be eligible for the first period, businesses must demonstrate eligible revenue reductions of greater than 15%. To be eligible for periods two to four, businesses must demonstrate eligible revenue reductions of greater than 30%. For the remaining periods, businesses are subsidized with a sliding scale of subsidy based on overall revenue reductions in each period. For the year ended March 31, 2022, the Society recognized $1,200,000 (2021– $1,800,000) in grants under the CEWS.