

ROWAN HOUSE SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2019

ROWAN HOUSE SOCIETY
TABLE OF CONTENTS
MARCH 31, 2019

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Schedule of Operations by Fund	15

INDEPENDENT AUDITOR'S REPORT

**To: The Members of
Rowan House Society**

Opinion

We have audited the financial statements of Rowan House Society, which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rowan House Society as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for 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 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 opinion.

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 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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

- ♦ 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.


CALGARY, ALBERTA
JUNE 10, 2019

Catalyst LLP
**CHARTERED PROFESSIONAL
ACCOUNTANTS**

ROWAN HOUSE SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
Assets		
Current		
Cash	\$ 85,768	\$ 162,637
Internally restricted cash (Note 3)	35,000	-
Prepaid expenditures	22,114	30,021
Goods and services tax receivable	3,474	4,068
	146,356	196,726
Investments (Note 4)	1,025,429	1,095,085
Capital assets (Note 5)	1,056,500	1,098,123
	\$ 2,228,285	\$ 2,389,934
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	\$ 53,831	\$ 31,433
Deferred contributions (Note 6)	104,563	159,872
	158,394	191,305
Long-term deferred contributions (Note 7)	574,263	605,304
	732,657	796,609
Net assets (Note 8)	1,495,628	1,593,325
	\$ 2,228,285	\$ 2,389,934

Approved on behalf of the Board


 _____ Member

ROWAN HOUSE SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
Revenues (Schedule 1)	\$ 2,071,340	\$ 2,057,565
Expenditures (Schedule 1)	<u>2,175,577</u>	<u>1,998,627</u>
Excess (deficiency) of revenues over expenditures from operations	<u>(104,237)</u>	<u>58,938</u>
Other income (expenditures)		
Unrealized gain (loss) on investments	6,454	(6,450)
Gain on sale of investments	<u>86</u>	<u>167</u>
	<u>6,540</u>	<u>(6,283)</u>
Excess (deficiency) of revenues over expenditures for the year	<u>\$ (97,697)</u>	<u>\$ 52,655</u>

The accompanying notes are an integral part of the financial statements

ROWAN HOUSE SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019

	General Operating Fund	Restricted Fund	Total 2019	Total 2018
Balance, beginning of year	\$ 1,593,325	-	\$ 1,593,325	\$ 1,540,670
Excess (deficiency) of revenues over expenditures	55,842	(153,539)	(97,697)	52,655
Interfund transfers (Note 13)	(153,539)	153,539	-	-
Balance, end of year	<u>\$ 1,495,628</u>	<u>-</u>	<u>\$ 1,495,628</u>	<u>\$ 1,593,325</u>

The accompanying notes are an integral part of the financial statements

ROWAN HOUSE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenues over expenditures for the year \$	(97,697) \$	52,655
Adjustments for		
Amortization	46,622	51,455
Gain on sale of investments	(86)	(167)
Unrealized (gain) loss on investments	(6,454)	6,450
Amortization of long-term deferred contributions	(31,041)	(31,041)
Donation of shares	(18,812)	-
	(107,468)	79,352
Change in non-cash working capital items		
Prepaid expenditures	7,907	4,556
Goods and services tax	594	(981)
Accounts payable and accrued liabilities	22,398	6,095
Deferred contributions	(55,309)	67,704
	(131,878)	156,726
Cash flows from investing activities		
Purchase of investments	(358,932)	(72,135)
Proceeds on sale of investments	453,940	4,408
Purchase of capital assets	(4,999)	(5,951)
	90,009	(73,678)
Increase (decrease) in cash	(41,869)	83,048
Cash, beginning of year	162,637	79,589
Cash, end of year	\$ 120,768	\$ 162,637
Represented by:		
Cash	\$ 85,768	\$ 162,637
Internally restricted cash	35,000	-
	\$ 120,768	\$ 162,637

The accompanying notes are an integral part of the financial statements

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. Purpose and nature of the Society

Rowan House Society (the "Society") was incorporated December 5, 1996 under the Society Act of Alberta as a not-for-profit organization. The operations of the Society are exempt from income pursuant to S.149(1)(i) of the Income Tax Act. Therefore, no provision for income taxes is recorded in the financial statements.

2. Significant accounting policies

The Society follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

(a) Fund accounting

The Society maintains an operating fund and a restricted fund in accounting for its activities. All operating revenues and expenditures are recorded in the operating fund with appropriations between funds being authorized by the Society's Board of Directors.

The restricted fund consists of revenues and expenditures externally restricted, the income from which must be used for the implementation and operation of the Society's respective programs.

(b) Cash

Cash and cheques written in excess of deposits is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the report date.

(c) Financial instruments

(i) Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash and investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include mutual funds.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

2. Significant accounting policies, continued

(c) Financial instruments, continued

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

(iii) Transaction costs

The Society recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(d) Measurement uncertainty

The preparation of 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 and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets, and amortization of long-term deferred contributions. Actual results may differ from management's best estimates as additional information becomes available in the future.

(e) Investments

The Society follows the cost method of accounting for its investments, written down for any impairment in value that is considered other than temporary.

(f) Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. The Society provides for amortization using the straight-line method over the estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Building	25 years
Equipment	4 years
Computer equipment	4 years
Furniture and fixtures	3 years

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

2. Significant accounting policies, continued

(g) Impairment of long-lived assets

The Society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(h) Revenue recognition

The Society follows the restricted fund method of accounting for contributions. Restricted contributions related to general operations are recognized as revenue of the operating fund in the year in which the related expenditure occurs.

Unrestricted contributions are recognized as revenue in the operating fund in the year received or when the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions not related to the general fund are recognized in the restricted fund in the year the related courses or programs are delivered.

Contributions restricted to the purchase of capital assets and contributions of capital assets are deferred and amortized into revenue at a rate corresponding to the amortization of the related capital assets.

Contributions related to ticket sales and donation revenue for events taking place after the Society's year end are deferred until the event has occurred.

Investment income is recognized when earned.

(i) Expenditures

The Society classifies its expenditures by function. Expenditures have not been allocated on a pro rata basis to functions, but rather expenditures are allocated to each specific function based on its nature and type.

(j) Contributed materials and services

The Society is dependent on, and thankful for, the voluntary services of many individuals and organizations. Because of the difficulty in determining their fair value, contributed volunteer services are not recognized in these financial statements. Contributed materials are only recorded in the financial statements to the extent that fair value is reasonably determinable.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

3. Internally restricted cash

Cash includes \$35,000 that has been internally restricted to be used for building and equipment replacement and refurbishment at the shelter as part of the Capital Asset Replacement Reserve Fund.

4. Investments

The Society holds the following investments in term deposits, GICs, and mutual funds for long-term use.

	2019	2018
Strategic Investment Fund	\$ 593,019	\$ 570,187
Business Interruption Fund	217,540	313,446
Capital Asset Replacement Reserve Fund	204,870	201,452
Non-redeemable GIC	10,000	10,000
	\$ 1,025,429	\$ 1,095,085

The Strategic Investment Fund account has been internally restricted to ensure that the Society has the ability to accumulate funding to meet its strategic objectives as determined by the board, including the current housing expansion program, and to be fiscally responsible in the management of these funds.

The Business Interruption Fund has an annual interest rate of 2.56% with a maturity date of September 2019. The account has been internally restricted to protect the Society's ability to operate under difficult times. The Society will invest funds in GICs or similar capital-protected accounts to ensure that sufficient funds are kept available to protect the Society against an interruption or disruption of funding.

The Capital Asset Replacement Reserve Fund has an annual interest rate of 1.55% and is intended to be used for long-term projects. The account is a reserve fund that has been internally restricted to be used for building and equipment replacement and refurbishment at the shelter.

The non-redeemable GIC has an annual interest rate of 3.05% with a maturity date of November 2021.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

5. **Capital assets**

	<u>2019</u>		<u>2018</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 1,105,767	\$ 266,445	\$ 839,322	\$ 869,190
Land	185,621	-	185,621	185,621
Equipment	45,440	33,041	12,399	16,532
Computer equipment	51,750	40,035	11,715	15,620
Furniture and fixtures	71,667	64,224	7,443	11,160
	<u>\$ 1,460,245</u>	<u>\$ 403,745</u>	<u>\$ 1,056,500</u>	<u>\$ 1,098,123</u>

6. **Deferred contributions**

	<u>2019</u>		<u>2018</u>	
Gala ticket sales	\$ 42,450	\$ 56,150		
Casino funds	26,948	50,812		
Preventative Education Program	21,000	30,500		
Transitional Housing Program	10,000	1,716		
Miscellaneous grants	2,300	-		
Gala gaming funds	1,865	-		
Government of Alberta Renovation Program Grant	-	20,694		
	<u>\$ 104,563</u>	<u>\$ 159,872</u>		

7. **Long-term deferred contributions**

	<u>2019</u>		<u>2018</u>	
Opening balance	\$ 605,304	\$ 636,345		
Amortization of contributions	(31,041)	(31,041)		
	<u>\$ 574,263</u>	<u>\$ 605,304</u>		

The deferred contributions consist of accumulated funds received for Rowan House Emergency Shelter. The new facility opened in July of 2012, and the deferred contributions are currently being brought into operations over 25 years, which is the expected useful life of the building.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

8. Net assets

The Society receives funding from the Government of Alberta and from various other local municipalities. The use of these funds is restricted to expenditures specified by the funding authorities. Any unexpended funds from the Government of Alberta must be transferred into Surplus Retention Reserve and, with the approval of the funders, be expended in subsequent years for the purposes authorized. Any unexpended funds from all grants must be returned to the respective funding agency upon request.

The Society's current year net operating deficit of \$97,697 (2018 - surplus of \$52,655) is unrestricted.

9. Financial instruments

The Society is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Society's exposure to these risks.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. The Society is exposed to this risk mainly in respect to its investments included in the Strategic Investment Fund, Business Interruption Fund, and Capital Asset Replacement Reserve Fund.

(b) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its fixed rate financial instruments.

(d) Other price risk

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant other price risks arising from these financial instruments.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

10. Additional information to comply with the Charitable Foundation Act and Regulations

Gross contributions received (excluding donations not yet cleared) were \$2,053,731 (2018 - \$2,125,660).

Gross contributions received were used in accordance with the internal and external restrictions imposed by the donor's request and the Society's disbursement policies. Undesignated donations are allocated for use by the Board of Directors of the Society.

All expenditures incurred, directly and indirectly, for the purpose of soliciting contributions were \$32,571 (2018 - \$28,651). No remuneration was paid for fundraising activities.

11. Economic dependence

The Society receives the majority of its revenue through a funding agreement from the Government of Alberta. The Society's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

12. Interfund transfers

The Society transferred donation revenues of \$153,539 (2018 - \$122,102) from the General Fund to the Restricted Fund during the year.

13. Subsequent events

Subsequent to year end a significant expenditure for a security system update will occur in June 2019. The Society expects the total expenditure to cost approximately \$50,000 and funds from the internally restricted Capital Asset Replacement Reserve Fund will be utilized.

Subsequent to year end a funding agreement was signed between the Society and the Government of Canada Department for Women and Gender Equality. The funding agreement provides for funding of \$731,289 for the period of June 1, 2019 to June 30, 2023 for the "Stay at Home - An Alternative to Women's Emergency Shelters in Rural Southern Alberta" project.

ROWAN HOUSE SOCIETY
 SCHEDULE OF OPERATIONS BY FUND
 MARCH 31, 2019

Schedule 1

	Operating Fund	Restricted Fund	2019	2018
REVENUE				
Government of Alberta (Note 11)		\$ 1,306,581	\$ 1,306,581	\$ 1,306,581
Donations	238,027	-	238,027	270,785
Fundraising	186,732	-	186,732	221,185
Community Programming	185,873	-	185,873	137,800
Grants	56,636	-	56,636	42,719
Capital campaign (Note 7)	31,041	-	31,041	31,041
Casino/gaming	29,146	-	29,146	15,193
Dividend income	24,227	-	24,227	27,135
Interest income	11,602	-	11,602	3,517
Housing recovery	1,475	-	1,475	1,610
	<u>764,759</u>	<u>1,306,581</u>	<u>2,071,340</u>	<u>2,057,566</u>
EXPENDITURES				
Salaries	263,792	1,108,432	1,372,224	1,202,691
Employee benefits	30,231	123,303	153,534	153,363
Community Programming	110,275	-	110,275	98,001
Direct client costs	24,288	43,619	67,907	50,057
Consulting fees	66,008	-	66,008	84,268
Office	47,538	10,890	58,428	34,628
Innovative Child Care Funding	-	37,573	37,573	37,417
Telephone	4,680	31,838	36,518	30,548
Transitional housing operations	34,150	-	34,150	37,340
Fundraising (Note 11)	32,571	-	32,571	28,651
Travel and subsistence	24,465	3,847	28,312	28,812
Training	5,826	18,749	24,575	23,652
Repairs and maintenance	-	22,370	22,370	38,522
Insurance	2,214	18,355	20,569	19,591
Utilities	4,054	16,342	20,396	19,309
Advertising and promotion	11,547	-	11,547	21,806
Accounting and legal	-	11,316	11,316	11,321
Supplies	-	9,630	9,630	8,356
Investment management fees	4,516	-	4,516	4,408
Memberships	-	3,756	3,756	7,440
Equipment rent	2,680	-	2,680	3,976
Interest and bank charges	-	100	100	778
Casino advisors	-	-	-	2,238
Amortization	46,622	-	46,622	51,455
	<u>715,457</u>	<u>1,460,120</u>	<u>2,175,577</u>	<u>1,998,628</u>
	49,302	(153,539)	(104,237)	58,938
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS				
OTHER INCOME (EXPENDITURES)				
Unrealized gain (loss) on investments	6,454	-	6,454	-6,450
Gain (loss) on disposal of investments	86	-	86	167
EXCESS (DEFICIENCIES) OF REVENUES OVER EXPENDITURES FOR THE YEAR	<u>\$ 55,842</u>	<u>\$ (153,539)</u>	<u>\$ (97,697)</u>	<u>\$ 52,655</u>