

ROWAN HOUSE SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2018

ROWAN HOUSE SOCIETY
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rowan House Society, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 the 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 Society'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 Society'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.

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

INDEPENDENT AUDITOR'S REPORT, continued

Basis for Qualified Opinion

As is common with many not-for-profit organizations, the Society derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and related expenditures was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments for unrecorded revenue might be necessary to revenues, excess of revenue over expenditures, assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Rowan House Society as at March 31, 2018 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.

CALGARY, ALBERTA
JUNE 18, 2018

Catalyst LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

ROWAN HOUSE SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
Assets		
Current		
Cash (Note 3)	\$ 162,637	\$ 79,589
Prepaid expenditures	30,021	34,577
Goods and services tax receivable	4,068	3,087
	196,726	117,253
Investments (Note 4)	1,095,085	1,033,641
Capital assets (Note 5)	1,098,123	1,143,627
	\$ 2,389,934	\$ 2,294,521
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	\$ 31,433	\$ 25,338
Deferred contributions (Note 6)	159,872	92,168
	191,305	117,506
Long-term deferred contributions (Note 7)	605,304	636,345
	796,609	753,851
Net assets (Note 8)	1,593,325	1,540,670
	\$ 2,389,934	\$ 2,294,521

Approved on behalf of the Board

 Member

ROWAN HOUSE SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
Revenues (Schedule 1)	\$ 2,057,565	\$ 2,018,986
Expenditures (Schedule 1)	<u>1,998,627</u>	<u>2,098,469</u>
Excess (deficiency) of revenues over expenditures from operations	<u>58,938</u>	<u>(79,483)</u>
Other income (expenditures)		
Gain on sale of investments	167	76
Unrealized gain (loss) on investments	<u>(6,450)</u>	<u>18,476</u>
	<u>(6,283)</u>	<u>18,552</u>
Excess (deficiency) of revenues over expenditures for the year	<u>\$ 52,655</u>	<u>\$ (60,931)</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, 2018

	General Operating Fund	Restricted Fund	Total 2018	Total 2017
Balance, beginning of year	\$ 1,515,490	\$ 25,180	\$ 1,540,670	\$ 1,601,601
Excess (deficiency) of revenues over expenditures	199,937	(147,282)	52,655	(60,931)
Interfund transfers (Note 12)	(122,102)	122,102	-	-
Balance, end of year	<u>\$ 1,593,325</u>	<u>\$ -</u>	<u>\$ 1,593,325</u>	<u>\$ 1,540,670</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, 2018

	2018	2017
Cash flows from operating activities		
Excess (deficiency) of revenues over expenditures for the year \$	52,655	\$ (60,931)
Adjustments for		
Amortization	51,455	55,720
Gain on sale of investments	(167)	(76)
Unrealized gain (loss) on investments	6,450	(18,476)
Amortization of long-term deferred contributions	(31,041)	(31,041)
	79,352	(54,804)
Change in non-cash working capital items		
Accounts receivable	-	6,474
Prepaid expenditures	4,556	3,293
Goods and services tax	(981)	270
Accounts payable and accrued liabilities	6,095	(3,139)
Salaries payable	-	(42,656)
Deferred contributions	67,704	(79,527)
	156,726	(170,089)
Cash flows from investing activities		
Purchase of investments	(72,135)	(57,676)
Proceeds on sale of investments	4,408	-
Purchase of capital assets	(5,951)	(18,631)
	(73,678)	(76,307)
Increase (decrease) in cash	83,048	(246,396)
Cash, beginning of year	79,589	325,985
Cash, end of year	<u>\$ 162,637</u>	<u>\$ 79,589</u>

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, 2018

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

These statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies 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) 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 expenditures 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.

(c) 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.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

2. Significant accounting policies, continued

(d) 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, term deposits, and GICs.

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

Financial assets measured at fair value include mutual funds.

(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.

(e) 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, 2018

2. Significant accounting policies, continued

(f) 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.

(g) 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.

(h) 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.

(i) 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, 2018

3. **Cash**

	2018	2017
Cash	\$ 162,637	\$ 34,891
Savings account	-	44,698
	\$ 162,637	\$ 79,589

4. **Investments**

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

	2018	2017
Strategic Investment Fund	\$ 570,187	\$ 555,387
Business Interruption Fund	313,446	313,446
Capital Asset Replacement Reserve Fund	201,452	164,808
Non-redeemable GIC	10,000	-
	\$ 1,095,085	\$ 1,033,641

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 1.15% with a maturity date of June 2018. 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 1.2% 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 1.5% with a maturity date of November 2018.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

5. **Capital assets**

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 1,100,767	\$ 231,577	\$ 869,190	\$ 905,406
Land	185,621	-	185,621	185,621
Equipment	45,440	28,908	16,532	22,042
Computer equipment	51,750	36,130	15,620	14,713
Furniture and fixtures	71,667	60,507	11,160	15,845
	<u>\$ 1,455,245</u>	<u>\$ 357,122</u>	<u>\$ 1,098,123</u>	<u>\$ 1,143,627</u>

6. **Deferred contributions**

	2018		2017	
Gala ticket sales	\$ 56,150	\$ 58,540	\$ 58,540	\$ 58,540
Casino Funds	50,812	-	-	-
Preventative Education Program	30,500	31,800	31,800	31,800
Government of Alberta Renovation Program Grant	20,694	-	-	-
Transitional Housing Program	1,716	1,828	1,828	1,828
	<u>\$ 159,872</u>	<u>\$ 92,168</u>	<u>\$ 92,168</u>	<u>\$ 92,168</u>

7. **Long-term deferred contributions**

	2018		2017	
Opening balance	\$ 636,345	\$ 667,387	\$ 667,387	\$ 667,387
Amortization of contributions	(31,041)	(31,042)	(31,042)	(31,042)
	<u>\$ 605,304</u>	<u>\$ 636,345</u>	<u>\$ 636,345</u>	<u>\$ 636,345</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, 2018

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 surplus of \$52,655 (2016 - deficit of \$60,931) is unrestricted.

9. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

10. 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 investment in mutual funds.

(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.

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

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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

Gross contributions received (excluding donations not yet cleared) were \$2,125,660 (2017 - \$1,960,614).

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, direct and indirectly, for the purpose of soliciting contributions were \$28,651 (2017 - \$27,136). No remuneration was paid for fundraising activities.

12. 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.

13. Interfund transfers

The Society transferred donation revenues of \$122,102 (2017 - \$179,815) from the General Fund to the Restricted Fund during the year.

ROWAN HOUSE SOCIETY
 SCHEDULE OF OPERATIONS BY FUND
 MARCH 31, 2018

Schedule 1

	Operating Fund	Restricted Fund	2018	2017
REVENUE				
Government of Alberta (Note 11)		\$ 1,306,581	\$ 1,306,581	\$ 1,306,581
Donations	270,785	-	270,785	224,291
Fundraising	221,185	-	221,185	133,676
Community Programming	137,800	-	137,800	220,250
Grants	42,719	-	42,719	39,652
Capital campaign (Note 7)	31,041	-	31,041	31,041
Dividend income	27,135	-	27,135	18,450
Casino/gaming	15,193	-	15,193	34,243
Interest income	3,517	-	3,517	9,622
Housing recovery	1,610	-	1,610	1,190
	750,995	1,306,581	2,057,596	2,018,986
EXPENDITURES				
Salaries	104,598	1,098,093	1,202,691	1,282,950
Employee benefits	8,278	145,085	153,363	151,725
Community Programming	98,001	-	98,001	154,028
Consulting fees	84,268	-	84,268	-
Direct client costs	12,425	37,632	50,057	48,121
Repairs and maintenance	15,560	22,962	38,522	30,024
Innovative Child Care Funding	-	37,417	37,417	37,417
Transitional housing operations	37,340	-	37,340	86,034
Office	23,455	11,173	34,628	20,127
Telephone	4,370	26,178	30,548	28,918
Travel and subsistence	23,571	5,241	28,812	29,770
Fundraising (Note 11)	28,651	-	28,651	27,136
Training	3,667	19,985	23,652	41,048
Advertising and promotion	21,806	-	21,806	26,124
Insurance	2,214	17,377	19,591	18,966
Utilities	4,072	15,237	19,309	24,054
Accounting and legal	10,762	569	11,321	11,525
Supplies	-	8,366	8,366	12,875
Memberships	4,408	7,440	7,440	5,024
Investment management fees	995	-	4,408	4,195
Equipment rent	2,980	2,980	3,976	3,383
Casino advisors	2,238	-	2,238	-
Interest and bank charges	-	778	778	1,325
Amortization	51,455	-	51,455	55,720
	542,135	1,456,493	1,990,628	2,098,409
	208,850	(149,912)	58,938	(79,483)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS				
OTHER INCOME (EXPENDITURES)				
Gain (loss) on disposal of investments	167	-	167	76
Unrealized gain (loss) on investments	(6,450)	-	-6,450	18,476
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR	\$ 202,667	\$ (149,912)	\$ 52,656	\$ (80,931)