

**Discovery House Family
Violence Prevention Society**

Financial Statements
March 31, 2019



Independent auditor's report

To the Members of Discovery House Family Violence Prevention Society

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Discovery House Family Violence Prevention Society (the 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.

What we have audited

The Society's financial statements comprise:

- the statement of financial position as at March 31, 2019;
 - the statement of operations for the year then ended;
 - the statement of changes in fund balances 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.
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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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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 10, 2019

Discovery House Family Violence Prevention Society


Statement of Financial Position

As at March 31, 2019

	Operating Fund \$	Bursary Fund \$	Building Fund \$	2019 \$	2018 \$
Assets					
Current assets					
Cash and cash equivalents	1,435,598	-	449,562	1,885,160	1,840,828
Short-term investments (note 3)	-	1,045,235	685,958	1,731,193	1,296,723
Accounts receivable	79,213	-	-	79,213	52,348
Goods and services tax recoverable	10,915	-	-	10,915	12,353
Prepaid expenses	68,790	-	-	68,790	82,333
Total current assets	1,594,516	1,045,235	1,135,520	3,775,271	3,284,585
Long-term investments (note 4)	-	161,528	496,938	658,466	1,058,145
Capital assets (note 5)	65,803	-	3,222,544	3,288,347	3,355,927
Total assets	1,660,319	1,206,763	4,855,002	7,722,084	7,698,657
Liabilities					
Current liabilities					
Accounts payable and accruals (note 16)	284,451	-	-	284,451	218,823
Security deposits (note 6)	10,389	-	-	10,389	10,680
Unearned revenue (note 7)	5,655	-	-	5,655	9,922
Total current liabilities	300,495	-	-	300,495	239,425
Deferred contributions (note 8)					
Related to operations	416,373	56,763	160,920	634,056	446,641
Related to capital assets	17,736	-	3,103,858	3,121,594	3,183,672
Total deferred contributions	434,109	56,763	3,264,778	3,755,650	3,630,313
Total liabilities	734,604	56,763	3,264,778	4,056,145	3,869,738
Fund balances					
Invested in capital assets	48,067	-	118,686	166,753	273,998
Endowment (note 10)	-	1,150,000	-	1,150,000	1,150,000
Internally restricted (notes 9 and 11)	-	-	1,000,000	1,000,000	2,500,000
Unrestricted	877,648	-	471,538	1,349,186	(95,079)
Total fund balances	925,715	1,150,000	1,590,224	3,665,939	3,828,919
Total liabilities and fund balances	1,660,319	1,206,763	4,855,002	7,722,084	7,698,657

Contingencies (note 14)

Approved by the Board of Directors



Director



Director

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

Discovery House Family Violence Prevention Society

Statement of Operations

For the year ended March 31, 2019

	Operating Fund \$	Bursary Fund \$	Building Fund \$	2019 \$	2018 \$
Revenue					
Grants (note 12)	3,005,299	-	-	3,005,299	3,202,643
Donations	419,219	-	-	419,219	466,254
Amortization of deferred contributions	3,592	-	154,494	158,086	160,667
Special events	183,428	-	-	183,428	96,901
Facility	134,585	-	-	134,585	130,057
Gaming	65,967	-	-	65,967	73,041
Other revenue	38,386	-	-	38,386	8,548
Interest	11,236	-	23,252	34,488	31,431
Bursary	-	15,309	-	15,309	14,168
Total revenue	3,861,712	15,309	177,746	4,054,767	4,183,710
Expenses					
Salaries and benefits	3,016,262	11,500	-	3,027,762	3,218,354
Direct client	415,549	-	-	415,549	490,693
Facility	373,140	-	-	373,140	371,295
Amortization	9,917	-	168,092	178,009	172,017
Administrative	138,972	-	-	138,972	144,668
Bursary	-	3,809	-	3,809	14,168
Professional fees	39,944	-	-	39,944	30,426
Strategic planning	10,816	-	-	10,816	20,709
Fundraising and community development	29,746	-	-	29,746	86,550
Total expenses	4,034,346	15,309	168,092	4,217,747	4,548,880
(Deficiency) excess of revenue over expenses for the year	(172,634)	-	9,654	(162,980)	(365,170)

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

Discovery House Family Violence Prevention Society

Statement of Changes in Fund Balances

For the year ended March 31, 2019

	Operating Fund			Bursary Fund	Building Fund			2019	2018
	Invested in capital assets \$	Internally restricted \$ (note 9)	Unrestricted \$	\$ (note 10)	Invested in capital assets \$	Internally restricted \$ (note 11)	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	5,386	1,500,000	(407,037)	1,150,000	268,612	1,000,000	311,958	3,828,919	4,194,089
Funds unrestricted	-	(1,500,000)	1,500,000	-	-	-	-	-	-
Reclassification of funds	49,006	-	(49,006)	-	(136,328)	-	136,328	-	-
(Deficiency) excess of revenue over expenses for the year	(6,325)	-	(166,309)	-	(13,598)	-	23,252	-	(365,170)
Balance – End of year	48,067	-	877,648	1,150,000	118,686	1,000,000	471,538	3,828,919	3,828,919

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

Discovery House Family Violence Prevention Society

Statement of Cash Flows

For the year ended March 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenue over expenses for the year		
Operating Fund	(172,634)	(385,817)
Building Fund	9,654	20,647
	<hr/>	<hr/>
	(162,980)	(365,170)
Items not affecting cash		
Amortization	178,009	172,017
Amortization of deferred contributions	(158,086)	(160,667)
	<hr/>	<hr/>
	(143,057)	(353,820)
Changes in non-cash working capital		
Accounts receivable	(30,316)	(29,394)
Goods and services tax recoverable	1,438	(2,756)
Prepaid expenses	13,543	10,954
Accounts payable and accruals	65,628	28,752
Security deposits	(291)	2,485
Unearned revenue	(4,267)	2,324
Deferred contributions related to operations	123,561	(164,443)
Deferred contributions related to endowment	33,410	1,275
	<hr/>	<hr/>
	59,649	(504,623)
Investing activities		
Capital asset purchases	(106,978)	(106,164)
Deferred contributions received related to capital assets	126,452	227,597
Proceeds from redemption of investments	1,304,379	2,630,188
Purchase of investments	(1,339,170)	(2,377,205)
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	(15,317)	374,416
Increase (decrease) in cash and cash equivalents during the year	44,332	(130,207)
Cash and cash equivalents – Beginning of year	1,840,828	1,971,035
Cash and cash equivalents – End of year	<hr/>	<hr/>
	1,885,160	1,840,828

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

Discovery House Family Violence Prevention Society

Notes to Financial Statements

March 31, 2019

1 Purpose of the organization

Discovery House Family Violence Prevention Society (the Society) is a not-for-profit organization established under the Societies Act of Alberta. The purpose of the Society is to provide long-term shelter and support services to women and their children who are leaving abusive relationships. The Society is a registered charity under Section 149(1) of the Income Tax Act of Canada, and therefore is exempt from the payment of income taxes.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the CPA Canada Handbook. The Society's significant accounting policies are summarized below:

Fund accounting

The Operating Fund accounts for the Society's program delivery and administrative activities. This fund reports unrestricted resources and restricted funds related to operations.

The Bursary Fund reports the assets, liabilities, receipts and disbursements related to the endowment and bursaries. This fund reports unrestricted resources and restricted funds related to the endowment agreement.

The Building Fund reports the assets, liabilities, receipts and disbursements related to buildings and related capital assets. This fund reports unrestricted resources and restricted funds related to the building.

Revenue recognition

The Society follows the deferral method of accounting for contributions.

Restricted contributions related to program delivery and administrative expenses are recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. These funds are grants received from government agencies and independent donors.

Contributions restricted for capital are deferred and amortized to revenue in the Building Fund on the same basis as the related asset. Contributions related to bursaries are recognized as revenue in the year in which the related expense is incurred in the Bursary Fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Discovery House Family Violence Prevention Society

Notes to Financial Statements

March 31, 2019

Donations in kind

Donations in kind are recorded at fair market value only when fair market value can be reasonably estimated and when the donated goods or services would otherwise have been purchased by the Society. Volunteers contribute their time each year to assist the Society in achieving its mission. Because of the difficulty of determining the fair value, contributed volunteer services are not recognized in these financial statements. During the year, donations in kind received were valued at \$6,229 (2018 - \$40,536).

Government assistance

The Society receives financial assistance from various government agencies. These grant monies are received and recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. Contributions for capital assets are deferred and amortized to revenue on the same basis as the related capital asset.

The assistance provided is based on approved annual operating budgets prepared by management and submitted to various funding agencies. In any year that the Society has revenue in excess of expenses for the programs funded, the Society may be required to refund the excess to the government agencies.

Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Goods and services tax

Goods and services tax is recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Capital assets

Capital assets are recorded at cost. Amortization is calculated using the following rates and methods:

Buildings	5% declining balance
Furniture, fixtures and equipment	20% declining balance
Telephone system	20% declining balance
Vehicle	30% declining balance

The Society performs impairment testing on capital assets whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Any impairment loss is measured as the amount by which the carrying value exceeds the fair value and is charged to earnings.

Discovery House Family Violence Prevention Society

Notes to Financial Statements

March 31, 2019

Financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and mutual funds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized as unrealized gains or losses in the statement of operations.

The financial assets measured at amortized cost include cash and cash equivalents, investments and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accruals.

Use of estimates

The preparation of the Society's financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

3 Short-term investments

			2019	2018
	Bursary Fund \$	Building Fund \$	Total \$	Total \$
Guaranteed Investment Certificates (GICs) maturing October 31, 2019, bearing interest at prime minus 2.7% per annum	326,681	326,681	653,362	-
GICs maturing October 31, 2019, bearing interest at 1.88% per annum	718,554	359,277	1,077,831	-
GICs maturing between October 1, 2018 and October 31, 2018, bearing interest ranging from 1.5% to 1.7% per annum	-	-	-	592,037
GICs maturing between April 30, 2018 and October 31, 2018, bearing interest ranging from 1.55% to 1.7% per annum	-	-	-	704,686
	1,045,235	685,958	1,731,193	1,296,723

Discovery House Family Violence Prevention Society

Notes to Financial Statements

March 31, 2019

4 Long-term investments

			2019	2018
	Bursary Fund \$	Building Fund \$	Total \$	Total \$
GICs maturing October 26, 2019, bearing interest at 2.9% per annum	161,528	496,938	658,466	-
GIC maturing October 31, 2019, bearing interest at 1.88% per annum	-	-	-	705,430
GIC maturing October 31, 2018, bearing interest at 1.88% per annum	-	-	-	352,715
	161,528	496,938	658,466	1,058,145

5 Capital assets

			2019	2018
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Operating Fund				
Furniture, fixtures and equipment	585,502	(545,967)	39,535	48,197
Telephone system	15,679	(14,643)	1,036	1,550
Vehicle	29,685	(4,453)	25,232	-
	630,866	(565,063)	65,803	49,747
Building Fund				
Land	270,000	-	270,000	270,000
Buildings	6,002,713	(3,075,265)	2,927,448	3,004,810
Furniture, fixtures and equipment	197,326	(172,230)	25,096	31,370
	6,470,039	(3,247,495)	3,222,544	3,306,180
Total capital assets	7,100,905	(3,812,558)	3,288,347	3,355,927

Discovery House Family Violence Prevention Society

Notes to Financial Statements

March 31, 2019

6 Security deposits

These amounts relate to security deposits received from clients.

7 Unearned revenue

These amounts relate to loaded gift cards from various vendors.

8 Deferred contributions

Related to operations

Deferred contributions reported relate to funding received in the current period for future period operations.

	<u>2019</u>			<u>2018</u>
	Operating Fund	Bursary Fund	Building Fund	Total
	\$	\$	\$	\$
Balance – Beginning of year	292,812	23,353	130,476	446,641
Amount added during the year	2,874,665	48,719	35,000	2,958,384
Amount utilized during the year	(2,751,104)	(15,309)	(4,556)	(2,770,969)
Balance – End of year	<u>416,373</u>	<u>56,763</u>	<u>160,920</u>	<u>634,056</u>

Related to capital assets

Deferred contributions related to capital assets are made up of funding received for capital asset purchases. The amounts are recognized as revenue at the same rate as the capital assets acquired are amortized. As at March 31, 2019, there were \$211,905 of unspent contributions restricted to the purchase of capital assets (2018 – \$145,000).

	<u>2019</u>			<u>2018</u>
	Operating Fund	Building Fund	Total	Total
	\$	\$	\$	\$
Balance – Beginning of year	21,328	3,162,344	3,183,672	3,116,742
Amount added during the year	-	96,008	96,008	227,597
Amount utilized during the year	(3,592)	(154,494)	(158,086)	(160,667)
Balance – End of year	<u>17,736</u>	<u>3,103,858</u>	<u>3,121,594</u>	<u>3,183,672</u>

Discovery House Family Violence Prevention Society

Notes to Financial Statements

March 31, 2019

9 Operating Fund - internally restricted funds

The Society established an Operational Funding Reserve to ensure that programs are able to continue should unforeseen funding circumstances arise. During the year, the Board of Directors removed the internal restriction on this fund. Management's goal is to maintain a target reserve balance of three to nine months of budgeted operating expenditures in the Operating Fund. In 2018, there were no Board approved transfers to this internally restricted fund. The target reserve balance may be reviewed on an annual basis to ensure it remains relevant as the scale of the Society's operations change.

10 Bursary Fund

The Society established a Bursary Fund in 2008 related to donations received from an anonymous donor to fund certain educational programs for the Society's clients. The gifts reflect the donor's desire to make a difference in the lives of women who have experienced family violence by helping them obtain the necessary post-secondary education to become self-sufficient and achieve their full potential. During the current year, the Society received further contributions of \$20,000 (2018 – \$nil) from the anonymous donor in support of this program. In accordance with the donor's wishes, \$1,150,000 of the funds received have been designated as an endowment, with the balance designated for utilization as bursaries. The interest earned on the endowment investments is deferred until certain educational programs are funded during the year.

	2019 \$	2018 \$
Cash and cash equivalents	-	-
Prepaid expenses	1,045,235	424
Short-term investments	161,528	592,037
Long-term investments	-	580,892
Total Bursary Fund balance	<u>1,206,763</u>	<u>1,173,353</u>
Deferred contributions related to operations	56,763	23,353
Endowment	<u>1,150,000</u>	<u>1,150,000</u>
Total Bursary Fund balance	<u>1,206,763</u>	<u>1,150,000</u>

11 Building Fund - internally restricted funds

The Society currently operates a primary facility that houses its administration and secure living arrangements for up to 19 client families. In addition, the Society owns and operates a single dwelling home within the city of Calgary. The Society has established a Facility Maintenance and Replacement Reserve to ensure that adequate funds are available for capital maintenance, improvements and replacements. The Society periodically conducts a thorough inspection of the structures and their systems, which is used to determine the capital reserve requirements. Management recommends the appropriate facility reserve amount based on Board approved formulas linked to estimated costs to be incurred over the life cycle of the related assets. The Board may also approve additional reserve amounts. During the year, the Board approved transfers of \$nil (2018 – \$nil) to this internally restricted fund. The target reserve balance and the internally restricted amount may be reviewed on an annual basis to ensure they remain relevant as the scale of the Society's operations change.

Discovery House Family Violence Prevention Society

Notes to Financial Statements

March 31, 2019

12 Grants

Operating Fund

	2019 \$	2018 \$
Calgary Homeless Foundation – Community Housing Ministry of Community and Social Services, Housing and Homeless Support Branch	924,708	1,277,788
City of Calgary Family and Community Support Services	883,684	921,896
Adaptive Case Management (CHF fee for service)	536,374	540,493
Anonymous Donor	343,725	198,970
Children's Services	175,210	152,299
Other	70,701	70,701
	70,897	40,496
	<u>3,005,299</u>	<u>3,202,643</u>

Calgary Homeless Foundation funded project

	Actual \$	Budget \$ (Unaudited)
Funds received		
Calgary Homeless Foundation per agreement	<u>937,030</u>	<u>937,030</u>
Expenditures		
Staff costs	634,703	648,860
Client costs	199,125	194,474
Administration costs	93,696	93,696
	<u>927,524</u>	<u>937,030</u>
Excess (funds recorded as deferred contributions)	<u>9,506</u>	-

13 Financial instruments

Management has determined that the Society is not exposed to significant credit risk due to nominal amounts receivable and other financial assets being held with credit worthy counterparties. The Society is exposed to interest rate risk to the extent its investments bear interest at variable rates. At March 31, 2019, \$653,362 of investments bear interest at variable rates and \$1,763,297 of investments are being held until maturity with fixed interest rates. The Society has some market risk due to the nature of the investments held. To mitigate the market risk, the Board of Directors has implemented an investment policy which guides the Society in what types of investments can be invested in.

Discovery House Family Violence Prevention Society

Notes to Financial Statements

March 31, 2019

14 Contingent liabilities

In 2004, the Society received a forgivable loan of \$1,469,996 from Canada Mortgage and Housing Corporation. The loan is non-interest bearing and is to be forgiven in equal annual principal amounts of \$98,000 until 2019 provided that the Society continues to own and use the relevant property as a second stage women's shelter.

Security of the loan includes a second charge on the Building Fund capital assets and a general assignment of all present and future leases, grants, subsidies, contributions, revenues and receivables related to the property.

The full amount of the forgivable loan was recorded as deferred contributions related to capital assets in 2004 when the Society became entitled to receive it. The deferred contribution is recognized as revenue in the year in which the loan is forgiven.

At March 31, 2019, the amount not yet forgiven was \$73,500 (2018 – \$171,500).

15 Fundraising expenses

As required to be disclosed under Section 7(2) of the Alberta Charitable Fundraising Regulations, amounts paid as remuneration to employees whose principal duties involve fundraising were \$247,005 (2018 – \$143,846).

16 Government remittances

Payroll source deductions amounting to \$16,014 (2018 – \$17,968) are owed to the federal government at March 31, 2019 and are included in accounts payable and accruals.

17 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.