Family Centre Society of Southern Alberta
Financial Statements
For the year ended March 31, 2020

Contents

For the year ended March 31, 2020

Management's Responsibility

To the Members of Family Centre Society of Southern Alberta:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Society. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Society's external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board, Audit Committee, and management to discuss their audit findings.

June 15, 2020

x Peter Imhof

Executive Director

Director

Independent Auditor's Report

To the Members of Family Centre Society of Southern Alberta:

Opinion

We have audited the financial statements of Family Centre Society of Southern Alberta (the "Society"), which comprise the statement of financial position as at March 31, 2020, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 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.

Lethbridge, Alberta

MNP LLP

June 15, 2020

Chartered Professional Accountants

Family Centre Society of Southern Alberta
Statement of Financial Position
As at March 31, 2020

	2020	*2019*
Assets		
Current		
Cash *(Note 4)*	**325,508**	372,058
Accounts receivable	**47,782**	57,741
Goods and services taxes recoverable	**4,451**	5,273
Prepaid expenses *(Note 5)*	**21,596**	21,283
	399,337	456,355
Property and equipment *(Note 6)*	**567,597**	629,390
Prepaid expenses *(Note 7)*	**34,722**	43,056
	1,001,656	1,128,801
Liabilities		
Current		
Accounts payable and accruals	**64,269**	125,316
Vacation and overtime payable	**95,715**	109,049
Deferred revenue *(Note 8)*	**128,734**	155,807
	288,718	390,172
Unamortized capital contributions *(Note 9)*	**554,446**	607,709
	843,164	997,881
Significant events *(Note 10)*		
Commitments *(Note 11)*		
Net Assets		
Unrestricted net assets	**145,338**	109,236
Net assets in property and equipment	**13,154**	21,684
	158,492	130,920
	1,001,656	1,128,801

Approved on behalf of the Board

Dr. Jared Warren

x **Director**

Director

The accompanying notes are an integral part of these financial statements

Family Centre Society of Southern Alberta
Statement of Operations
For the year ended March 31, 2020

	2020 Budget	***2020***	*2019*
Revenue			
Southern Alberta Child and Family Services	**705,020**	**654,275**	677,232
Parent Link	**556,247**	**556,447**	563,676
City of Lethbridge	**675,000**	**676,875**	592,049
Supporting Father Involvement Alberta	**-**	**21,304**	81,786
Supporting Father Involvement Alberta - First Nations	**246,561**	**138,533**	164,519
Annual gala	**70,000**	**43,834**	49,988
Other income	**8,282**	**12,573**	5,527
Donations in kind	**-**	**17,545**	13,760
Donations	**32,100**	**36,267**	30,047
McHappy Foundation	**30,000**	**31,440**	26,741
Casino	**30,000**	**16,399**	1,657
Lethbridge Early Years Coalition	**22,500**	**28,432**	42,619
Lethbridge School District #51	**15,000**	**15,000**	15,000
Programs and projects	**16,500**	**13,940**	17,754
Memberships	**10,200**	**2,707**	9,239
Holy Spirit Catholic Regional Division #4	**5,000**	**5,000**	5,000
Amortization of capital contributions *(Note 9)*	**-**	**53,263**	53,263
Total revenue	**2,422,410**	**2,323,834**	2,349,857
Expenses			
Salaries and benefits	**1,790,825**	**1,707,861**	1,714,886
Rent	**243,679**	**262,466**	250,302
Programs and projects	**36,318**	**56,314**	83,330
Telephone and utilities	**23,439**	**19,965**	20,960
Annual gala	**31,450**	**19,930**	22,497
Food	**40,275**	**17,963**	28,495
Donations in kind	**-**	**17,545**	13,760
Insurance	**13,566**	**15,580**	16,301
Travel	**13,750**	**14,617**	14,545
Repairs and maintenance	**23,675**	**14,245**	13,919
Capital items under threshold	**1,500**	**12,895**	22,653
Office	**8,209**	**12,501**	11,968
Professional fees	**9,188**	**11,253**	10,927
Training and education	**12,698**	**9,819**	21,973
Goods and Services Tax	**8,709**	**9,078**	6,920
Lethbridge Early Years Coalition	**1,000**	**9,042**	16,934
Office equipment lease	**9,135**	**7,891**	7,254
Bank charges and interest	**5,551**	**5,140**	5,581
Advertising and promotion	**13,480**	**4,059**	11,099
Association dues	**3,783**	**2,701**	3,921
Facilitation	**101,607**	**1,641**	3,360
Miscellaneous	**21,896**	**1,423**	6,091
Accreditation	**500**	**540**	14,917
Amortization	**-**	**61,793**	64,485
Total expenses	**2,414,233**	**2,296,262**	2,387,078
Excess (deficiency) of revenue over expenses	**8,177**	**27,572**	(37,221)

The accompanying notes are an integral part of these financial statements

Family Centre Society of Southern Alberta
Statement of Changes in Net Assets
For the year ended March 31, 2020

	Unrestricted net assets	*Net assets in property & equipment*	*2020*	*2019*
Net assets beginning of year	**109,236**	**21,684**	**130,920**	168,141
Excess (deficiency) of revenue over expenses	**27,572**	**-**	**27,572**	(37,221)
Amortization	**61,793**	**(61,793)**	**-**	-
Amortization of capital contributions	**(53,263)**	**53,263**	**-**	-
Net assets, end of year	**145,338**	**13,154**	**158,492**	130,920

The accompanying notes are an integral part of these financial statements

Family Centre Society of Southern Alberta
Statement of Cash Flows
For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**27,572**	(37,221)
Amortization	**61,793**	64,485
Amortization of capital contributions	**(53,263)**	(53,263)
	36,102	(25,999)
Changes in working capital accounts		
Accounts receivable	**9,959**	(35,424)
Goods and services taxes recoverable	**822**	(2,245)
Prepaid expenses	**8,021**	7,091
Accounts payable and accruals	**(61,047)**	34,818
Vacation and overtime payable	**(13,334)**	14,659
Deferred revenue	**(27,073)**	(33,027)
Decrease in cash resources	**(46,550)**	(40,127)
Cash resources, beginning of year	**372,058**	412,185
Cash resources, end of year	**325,508**	372,058

1. Incorporation and nature of the organization

Family Centre Society of Southern Alberta (the "Society") was incorporated under the authority of the Societies Act of Alberta and is a registered charity registered as a not-for-profit organization and is exempt from income taxes under section 149(l)(f) of the *Income Tax Act* ("the Act"). In order to maintain its status as a registered not-for-profit organization under the Act, the Society must meet certain requirements within the Act. In the opinion of management these requirements have been met.

The Society's objective is to provide family support and resources which will strengthen and empower families, enhance the capacities of parents and foster the optimal development of children and youth.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Property and equipment

Property and equipment are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Computer equipment	4 years
Equipment	5 years
Office equipment	10 years
Leasehold improvements	15 years

Unamortized capital contributions

Deferred contributions related to property and equipment represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Society's leasehold improvements. Recognition of these amounts as revenue is deferred to periods when the related property and equipment is amortized.

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. 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.

Pledges are recognized as revenue when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Long-lived assets

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Society determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

2. Significant accounting policies *(Continued from previous page)*

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Society's operations and would otherwise have been purchased.

The operations of the Society depend on the contribution of time by volunteers. The fair value of donated volunteer services cannot be reasonably determined and is therefore not reflected in these financial statements.

Financial instruments

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

Financial asset impairment:

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. The Society groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; and no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenues over expenses in the year the reversal occurs.

Measurement uncertainty

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. Change in accounting policies

Effective April 1, 2019, the Society adopted the recommendation relating to the following Section, as set out in Part III of the CPA Canada Handbook - Accounting:

- *Section 4433 Tangible Capital Assets Held by Not-for-Profit Organizations*

Applying this new Section results in changes to the determination of impairment and write-downs of capital assets and allows for the recognition of partial impairments of these assets.

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the financial statements of adopting this new Section.

4. Cash

	2020	*2019*
Cash - operations	**260,108**	362,066
Cash - casino	**34,836**	2,500
Cash - capital campaign	**6,078**	7,492
Guaranteed Investment Certificate	**24,486**	-
	325,508	372,058

5. Prepaid expenses

	2020	*2019*
Leasehold	**8,333**	8,333
Insurance	**13,263**	12,950
	21,596	21,283

Leasehold balance is being amortized straight-line over the 15 year term of the lease.

6. Property and equipment

	Cost	***Accumulated amortization***	***2020 Net book value***	*2019 Net book value*
Computer equipment	**45,855**	**45,855**	**-**	-
Equipment	**16,656**	**16,656**	**-**	-
Office equipment	**43,363**	**43,360**	**3**	4,339
Leasehold improvements	**917,182**	**349,588**	**567,594**	625,051
	1,023,056	**455,459**	**567,597**	629,390

7. Long-term prepaid expenses

	2020	*2019*
Leasehold	**34,722**	43,056

Leasehold balance is being amortized straight-line over the 15 year term of the lease.

8. Deferred revenue

Deferred revenue represents unspent resources received in the current period that are related to the subsequent period. The deferred revenue balance consists of:

	2020	*2019*
Government of Alberta - Supporting Father Involvement - First Nations	**73,942**	83,305
Anonymous Charitable Foundation - Supporting Father Involvement	**1,025**	22,329
ISC - Supporting Father Involvement	**29,800**	-
Casino income	**17,747**	34,145
Lethbridge Early Years Coalition	**2,668**	4,302
Program and project income	**2,825**	4,222
Other restricted contributions	**727**	1,504
Community Foundation	**-**	6,000
	128,734	155,807

9. Unamortized capital contributions

Unamortized capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in unamortized capital contributions are as follows:

	2020	*2019*
Balance, beginning of year	**607,709**	660,972
Less: Amounts recognized as revenue during the year	**(53,263)**	(53,263)
Balance, end of year	**554,446**	607,709

10. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Society as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Society’s business and financial condition.

11. Commitments

The Society has a long term lease with respect to its office premises and parking stalls. The minimum annual payments are as follows:

2021	86,434
2022	153,615
2023	153,615
2024	153,615
2025	153,615
Thereafter	25,603
	726,497

For the period of April 1, 2020 to and including March 31, 2021, (the "Abatement Period"), the Society shall pay reduced annual rent equating to an annual rent of $86,434 or $7,203 per month net of applicable taxes. Upon expiration of the Abatement period, the Society may be able to obtain further rental assistance, subject to being provided written notices in regard to loss of funding.

12. Economic dependence

The Society generates the majority of its revenue from the Ministry of Children Services, Ministry of Community and Social Services and the City of Lethbridge and is dependent on these revenues for the operation of the Society's programs.

13. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

As at March 31, 2020, two customers (2019 - two) accounted for 69% (2019 - 93%) of the accounts receivable. The Society believes that there is no unusual exposure associated with the collection of these receivables. The Society performs regular credit assessments and provides allowances for potentially uncollectible accounts receivable.

14. Comparative figures

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