

Financial Statements of

**SERVANTS ANONYMOUS
SOCIETY OF CALGARY**

Year ended March 31, 2017



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Servants Anonymous Society of Calgary:

We have audited the accompanying financial statements of Servants Anonymous Society of Calgary, which comprise the statement of financial position as at March 31, 2017, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity'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 entity'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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, The Servants Anonymous Society of Calgary derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of The Servants Anonymous Society of Calgary. Therefore, we were not able to determine whether, as at and for the year ended March 31, 2017, any adjustments might be necessary to fundraising revenues, excess (deficiency) of revenues over expenses in the statement of operations and changes in fund balances, excess (deficiency) of revenues over expenses in the statement of cash flows, and current assets and unrestricted net assets reported in the statement of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Servants Anonymous Society of Calgary as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

June 27, 2017
Calgary, Canada

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	March 31, 2017			March 31, 2016
	Programs	Fireworks Cooperative	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 188,220	\$ 23,794	\$ 212,014	\$ 104,138
Grants receivable	30,000	—	30,000	—
Goods and services tax recoverable	7,407	—	7,407	9,518
Accounts receivable	2,660	750	3,410	27,115
Prepaid expenses	17,118	—	17,118	28,317
Inventory	—	1,015	1,015	8,122
	245,405	25,559	270,964	177,210
Property and equipment (note 3)	350,710	1,692	352,402	1,238,846
Assets held for sale (note 3)	672,350	—	672,350	—
	\$ 1,268,465	\$ 27,251	\$ 1,295,716	\$ 1,416,056

Liabilities and Net Assets

Current liabilities:				
Accounts payable and accrued liabilities	\$ 48,047	\$ 5,412	\$ 53,459	\$ 84,851
Goods and services tax payable	—	2,520	2,520	954
Customer deposits	—	2,757	2,757	14,029
Deferred revenue (note 5)	60,000	—	60,000	10,697
Deferred revenue (scholarship)	18,418	—	18,418	—
Loans and borrowing (note 4)	520,001	—	520,001	769,218
	646,466	10,689	657,155	879,749
Net assets:				
Investment in capital assets	503,059	1,692	504,751	738,846
Unrestricted	118,940	14,870	133,810	(202,539)
	621,999	16,562	638,561	536,307
Contingencies (note 8)				
	\$ 1,268,465	\$ 27,251	\$ 1,295,716	\$ 1,416,056

See accompanying notes to financial statements.

Approved on behalf of the Board:

Linda S. Wyatt

Director

James W. Campbell

Director

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	March 31, 2017			March 31, 2016
	Programs	Fireworks Cooperative	Total	
Revenues:				
Government funding	\$ 534,134	\$ 8,455	\$ 542,589	\$ 364,994
Donations	429,169	–	429,169	417,964
Contract and services	–	172,101	172,101	181,296
Fundraising	191,282	–	191,282	219,852
Rental income	44,886	–	44,886	84,867
Childcare	4,588	–	4,588	28,360
Investment	286	–	286	519
Other	1,259	4,200	5,459	–
Gain on sale of assets	79,145	–	79,145	–
	<u>1,284,749</u>	<u>184,756</u>	<u>1,469,505</u>	<u>1,297,852</u>
Expenses:				
Wages and benefits	728,654	74,911	803,565	1,212,081
Fundraising	68,002	–	68,002	62,188
Direct contract costs	–	52,404	52,404	63,039
Participant training	21,161	–	21,161	48,335
Utilities and taxes	46,302	13,853	60,155	68,150
Maintenance and repairs	54,941	19,086	74,027	106,527
Rent	–	26,940	26,940	47,257
Insurance	22,286	10,181	32,467	33,160
Board governance	6,179	–	6,179	2,500
Communication	16,452	–	16,452	20,262
Advertising and promotion	14,225	3,289	17,514	15,393
Professional fees	16,054	4,550	20,604	35,928
Printing, office and other	17,567	406	17,973	20,827
Scholarships and awards	17,306	–	17,306	11,949
Transportation	3,091	333	3,424	11,330
Staff training	15,975	182	16,157	4,440
Bank charges	6,348	4,106	10,454	12,352
Interest on loans and borrowings	24,726	–	24,726	22,250
Memberships and licenses	6,522	660	7,182	3,878
Goods and services tax (recovery)	16,380	(3,797)	12,583	8,471
Amortization	55,321	351	55,672	62,128
Bad debt	–	2,304	2,304	–
	<u>1,157,492</u>	<u>209,759</u>	<u>1,367,251</u>	<u>1,872,445</u>
Excess (deficiency) of revenues over expenses	127,257	(25,003)	102,254	(574,593)
Balance, beginning of year	522,646	13,661	536,307	1,110,900
Transfer between funds	(27,904)	27,904	–	–
Balance, end of year	\$ 621,999	\$ 16,562	\$ 638,561	\$ 536,307

See accompanying notes to financial statements.

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	March 31, 2017			March 31, 2016
	Programs	Fireworks Cooperative	Total	
Cash provided by (used in):				
Excess (deficiency) of revenues over expenses	\$ 127,257	\$ (25,003)	\$ 102,254	\$ (574,593)
Items not affecting cash:				
Amortization	55,321	351	55,672	62,128
Gain on Sale of Asset	(79,145)	—	(79,145)	—
Transfer between funds	(27,904)	27,904	—	—
	75,529	3,252	78,781	(512,465)
Changes in non-cash operating working capital:				
Accounts receivable	14,397	9,308	23,705	294
Goods and services tax	2,111	1,566	3,677	(4,029)
Grants receivable	(30,000)	—	(30,000)	—
Prepaid expenses	2,675	8,524	11,199	(25,585)
Inventory	—	7,107	7,107	(784)
Accounts payable and accrued liabilities	(28,142)	(3,250)	(31,392)	(18,974)
Deferred revenue	49,303	—	49,303	(26,116)
Deferred revenue (scholarships)	18,418	—	18,418	—
Customer deposits	—	(11,272)	(11,272)	—
	28,762	11,983	40,745	(75,194)
Cash flows (used) from operating activities				
	104,291	15,235	119,526	(587,659)
Financing activities:				
Advances of loans and borrowings for property and equipment	—	—	—	306,161
Advances of loans and borrowings	—	—	—	269,218
Repayment of loans and borrowings	(249,217)	—	(249,217)	—
	(249,217)	—	(249,217)	575,379
Investing activities:				
Purchase of equipment	(1,991)	(1,046)	(3,037)	(7,934)
Disposal of Asset	240,604	—	240,604	—
	238,613	(1,046)	237,567	(7,934)
(Decrease) increase in cash and cash equivalents				
	93,687	14,189	107,876	(20,214)
Cash and cash equivalents, beginning of year				
	94,533	9,605	104,138	124,352
Cash and cash equivalents, end of year				
	\$ 188,220	\$ 23,794	\$ 212,014	\$ 104,138

See accompanying notes to financial statements.

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Notes to Financial Statements

Year ended March 31, 2017

1. Nature:

The Servants Anonymous Society of Calgary (the "Society") has as its purpose the provision of long-term programs, to provide ongoing support, hope and wholeness to women ages 16 and over, with or without children, who are victims of, or are at risk of sexual exploitation.

The Society was incorporated on May 5, 1989 under the Alberta Societies Act as a not-for-profit organization. The Society, is a not-for-profit organization under Section 149(1) of the Income Tax Act and accordingly, is not subject to income tax. Effective May 5, 1989 the Society was awarded charitable status for income tax purposes.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(a) Revenue recognition:

The Society follows the restricted fund method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue received in advance for future programs and asset acquisitions are recorded as deferred revenue.

(b) Fund accounting:

(i) Fireworks cooperative:

Fireworks cooperative funds represent unrestricted funds of the various employment activities of the Society.

(ii) Programs:

Program funds represent redistribution and the restricted funds of the various other activities of the Society. Government funding, contract and services, fundraising, rent and investment income are recognized when earned.

(c) Cash and cash equivalents:

Cash and cash equivalents consists of deposits in bank and short-term investments with original maturities of three months or less.

(d) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a specific item basis and with market determined at net realizable value.

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Notes to Financial Statements, page 2

Year ended March 31, 2017

2. Significant accounting policies (continued):

(e) Property and equipment:

Property and equipment are recorded at cost. Amortization is provided as follows:

Asset	Rate	Basis
Building	2.5%	Straight-line
Building improvements	20%	Declining balance
Furniture	20%	Declining balance
Computer equipment	55%	Declining balance
Vehicles	30%	Declining balance
Audio video system	20%	Declining balance

The carrying amount of an item of property and equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and is in excess of its fair value.

(f) Assets held for sale:

Long-lived assets are classified by the Society as an asset held for sale at the point in time when the asset is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period.

Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The asset and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

(g) Contributed materials and services:

Materials and services contributed to the Society are recorded as both revenue and expenses at fair value, when determinable, at the date of the contribution and when the materials and services are used in the normal course of operations and would have otherwise been purchased. Volunteers contribute their time to assist the Society in carrying out its services. Because of the difficulty in determining their value, donated services and materials are not recognized in these statements.

(h) Use of estimates:

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 reporting accounts of assets and liabilities at the date of the financial statements and the reporting amounts of revenue and expenses during the period. Such estimates include the useful life of property and equipment. Actual amounts could differ from those estimates.

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Notes to Financial Statements, page 3

Year ended March 31, 2017

2. Significant accounting policies (continued):

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instrument at fair value. The Society has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial assets is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent to the improvement, not exceeding the initial carrying value.

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Notes to Financial Statements, page 4

Year ended March 31, 2017

3. Property and equipment:

			2017	2016
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ -	\$ -	\$ -	\$ 350,000
Building	333,333	10,417	322,916	737,075
Building improvements	9,980	5,988	3,992	119,522
Vehicles	87,059	84,143	2,916	4,166
Furniture	100,712	83,529	17,183	21,479
Kitchen Equipment	16,727	15,785	942	-
Computer equipment	29,239	24,870	4,369	6,499
Audio video systems	3,315	3,231	84	105
	580,365	227,963	352,402	1,238,846
Land held for sale	350,000	-	350,000	-
Building held for sale	379,000	148,275	230,725	-
Building improvements held for sale	342,153	250,528	91,625	-
	1,071,153	398,803	672,350	-
	\$ 1,651,518	\$ 626,766	\$ 1,024,752	\$ 1,239,788

During the year, the Society listed certain of the land and building for sale as a part of their strategy to relocate program operations and client housing to more functional and sustainable locations. The assets had a carrying value of \$672,350 at the time of listing for sale.

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Notes to Financial Statements, page 5

Year ended March 31, 2017

4. Loans and borrowings:

The Society has available, a \$40,000 credit card line of credit secured by a General Security Agreement. Interest at 5% together with minimum principal amounts are payable monthly on any outstanding advances.

The balance outstanding on the credit card line of credit at March 31, 2017 was \$11,923 (2016 - \$24,334). These amounts are included in accounts payable and accrued liabilities.

At March 31, 2017, the Society had \$1,500,000 available on an operating credit facility for general operating purposes. Borrowed funds on this facility bear interest at the bank's prime borrowing rate plus 1.5% (2016 – bank's prime rate plus 1%). At March 31, 2017 the Society had drawn \$520,001 (2016 - \$769,218) on this facility.

All credit facilities are payable on demand and are secured based on the following terms:

- General Security Agreement from the Society providing a security interest over all present and after acquired personal property;
- Land Mortgage in the principal sum of \$1,500,000 from the Society constituting a first fixed charged on the lands located at Plan A3 Block 18.
- General Assignment of Leases and Rents in respect of the lands described above, to be registered by way of Caveat at Land Titles Office.

The Society has a financial covenant related to the line of credit of a minimum debt service coverage ratio of 1.25:1. At March 31, 2017, the Society was in compliance of the covenant.

5. Deferred revenue:

Deferred revenue represents government funding received that relate to expenses of future years. The government funding is recorded as deferred revenue until the related expenditures have been incurred.

6. Financial instruments:

The Society's financial instruments consist of cash and cash equivalents, restricted cash, grants receivable, accounts receivable, goods and services tax recoverable, accounts payable, customer deposits and accrued liabilities and goods and services tax payable and loans and borrowings. The fair values of these financial instruments approximate their carrying value due to their short term nature.

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Notes to Financial Statements, page 6

Year ended March 31, 2017

6. Financial instruments (continued):

(a) Interest risk:

Interest rate risk is the risk that the fair value of the financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Society is exposed to interest rate risk on its loans and borrowings that bear interest at rates that fluctuate with market interest rates. There has been no change to the risk exposures from 2016.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the accounts receivable and cash. A substantial portion of the accounts receivable are well known and reliable funders and are subject to normal credit risk. Cash is deposited with respectable Canadian commercial banks. There has been no change to the risk exposures from 2016.

The Society is not exposed to significant foreign currency risk from these financial instruments.

7. Fundraising Activities:

In accordance with the requirement of the Charitable Fund-raising Act and Regulation, the Society is required to disclose the following information:

Gross contributions received in 2017 were \$429,169 (2016 - \$417,964). In 2017 \$311,474 (2016 - \$314,335) of these contributions were used for program expenses, and the remaining \$117,695 (2016 - \$103,198) were used for administrative expenses.

Expenses incurred for the purposes of soliciting contributions were \$62,625 (2016 - \$63,309). Of this amount, remuneration paid to employees during the year whose principal duties involved fundraising was \$58,106 (2016 - \$51,619).

8. Contingencies:

The Society has been named a defendant in a legal action claiming damages. The claim is not expected to have a material impact on the financial position or operating results of the Society. Accordingly, no provision for losses has been reflected in the accounts of the Society for this matter.

SERVANTS ANONYMOUS SOCIETY OF CALGARY

Notes to Financial Statements, page 7

Year ended March 31, 2017

9. Comparative information:

Certain comparative information has been reclassified for comparative purposes to conform with the current year's financial statement presentation.