

Financial Statements of

RESET SOCIETY OF CALGARY

(formerly Servants Anonymous Society of Calgary)

Year ended March 31, 2018



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

INDEPENDENT AUDITORS' REPORT

To the Members of RESET Society of Calgary (formerly Servants Anonymous Society of Calgary):

We have audited the accompanying financial statements of RESET Society of Calgary (formerly Servants Anonymous Society of Calgary), which comprise the statement of financial position as at March 31, 2018, 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 RESET Society of Calgary (formerly Servants Anonymous Society of Calgary) derives revenue from fundraising. In the prior year, we were unable to obtain satisfactory audit verification over the completeness of revenue from fundraising. Accordingly, verification of these revenues for the year ended March 31, 2017 was limited to the amounts recorded in the records of RESET Society of Calgary (formerly 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 of revenues over expenses in the statement of operations and changes in fund balances, excess of revenues over expenses in the statement of cash flows, and current assets and unrestricted net assets reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

Our opinion on the financial statements as at and for the year ended March 31, 2018 is also modified because of the possible effects of this matter on the comparability of the current year's figures to the prior year's figures.

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 RESET Society of Calgary (formerly Servants Anonymous Society of Calgary) as at March 31, 2018, 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 26, 2018
Calgary, Canada

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)



Statement of Financial Position

March 31, 2018, with comparative information for 2017

	March 31, 2018			March 31, 2017
	Programs	Fireworks Cooperative	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,724,040	\$ 291	\$ 1,724,331	\$ 212,014
Grants receivable	15,000	—	15,000	30,000
Goods and services tax recoverable	13,348	413	13,761	7,407
Accounts receivable	2,204	—	2,204	3,410
Prepaid expenses	22,404	—	22,404	17,118
Inventory	—	—	—	1,015
	1,776,996	704	1,777,700	270,964
Property and equipment (note 3)	1,781,291	—	1,781,291	352,402
Assets held for sale (note 3)	159,685	—	159,685	672,350
Security deposit	9,369	—	9,369	—
	\$ 3,727,341	\$ 704	\$ 3,728,045	\$ 1,295,716
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 256,587	\$ —	\$ 256,587	\$ 53,459
Goods and services tax payable	—	—	—	2,520
Tenant deposits	4,979	—	4,979	—
Customer deposits	—	—	—	2,757
Deferred revenue (note 5)	39,045	—	39,045	60,000
Deferred revenue (scholarship)	21,869	—	21,869	18,418
Deferred rent	21,641	—	21,641	—
Loans and borrowing (note 4)	—	—	—	520,001
	344,121	—	344,121	657,155
Net assets:				
Investment in capital assets	1,940,976	—	1,940,976	504,751
Unrestricted	1,442,244	704	1,442,948	133,810
	3,383,220	704	3,383,924	638,561
Contingencies (note 8)				
Commitments (note 9)				
	\$ 3,727,341	\$ 704	\$ 3,728,045	\$ 1,295,716

See accompanying notes to financial statements.

Approved on behalf of the Board:


 _____ Director

 _____ Director

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)

Statement of Operations and Changes in Fund Balances
Year ended March 31, 2018, with comparative information for 2017

	March 31, 2018			March 31, 2017
	Programs	Fireworks Cooperative	Total	
Revenues:				
Government grants (note 5)	\$ 325,824	\$ –	\$ 325,824	\$ 542,589
Grant funding (note 5)	40,178	–	40,178	–
Donations	352,693	–	352,693	429,169
Contract and services	–	9,589	9,589	172,101
Fundraising	184,425	–	184,425	191,282
Rental income	50,538	–	50,538	44,886
Childcare	4,198	–	4,198	4,588
Investment	2,590	–	2,590	286
Other	1,000	8,225	9,225	5,459
Gain on sale of assets (note 3)	2,850,020	14,456	2,864,476	79,145
	3,811,466	32,270	3,843,736	1,469,505
Expenses:				
Wages and benefits	651,696	784	652,480	803,565
Fundraising	61,780	–	61,780	68,002
Maintenance and repairs	50,821	268	51,089	74,027
Utilities and taxes	44,428	1,252	45,680	60,155
Professional fees	33,590	4,000	37,590	20,604
Insurance	32,684	1,800	34,484	32,467
Rent	31,579	8,637	40,216	26,940
Amortization	31,448	1,048	32,496	55,672
Participant training	29,547	–	29,547	21,161
Interest on loans and borrowings	23,148	–	23,148	24,726
Moving expenses	20,691	–	20,691	–
Advertising and promotion	19,922	–	19,922	17,514
Communication	17,286	–	17,286	16,452
Printing, office and other	15,121	–	15,121	17,973
Staff training	10,527	–	10,527	16,157
Bank charges	5,185	1,498	6,683	10,454
Transportation	4,851	–	4,851	3,424
Memberships and licenses	4,292	–	4,292	7,182
Board governance	2,214	–	2,214	6,179
Scholarships and awards	1,000	–	1,000	17,306
Bad debts	–	–	–	2,304
Direct contract costs	–	3,694	3,694	52,404
Goods and services tax (recovery)	(14,070)	(2,348)	(16,418)	12,583
	1,077,740	20,633	1,098,373	1,367,251
Excess of revenues over expenses				
	2,733,726	11,637	2,745,363	102,254
Balance, beginning of year	621,999	16,562	638,561	536,307
Transfer between funds	27,495	(27,495)	–	–
Balance, end of year	\$ 3,383,220	\$ 704	\$ 3,383,924	\$ 638,561

See accompanying notes to financial statements.

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	March 31, 2018			March 31, 2017
	Programs	Fireworks Cooperative	Total	
Cash provided by (used in):				
Excess of revenues over expenses	\$ 2,733,726	\$ 11,637	\$ 2,745,363	\$ 102,254
Items not affecting cash:				
Amortization	31,448	1,048	32,496	55,672
Gain on sale of asset	(2,850,020)	(14,456)	(2,864,476)	(79,145)
Transfer between funds	27,495	(27,495)	–	–
Deferred rent	21,641	–	21,641	–
	(35,710)	(29,266)	(64,976)	78,781
Changes in non-cash operating working capital:				
Accounts receivable	456	750	1,206	23,705
Goods and services tax	(5,941)	(2,933)	(8,874)	3,677
Grants receivable	15,000	–	15,000	(30,000)
Prepaid expenses	(5,286)	–	(5,286)	11,199
Inventory	–	1,015	1,015	7,107
Accounts payable and accrued liabilities	208,540	(5,412)	203,128	(31,392)
Deferred revenue	(20,955)	–	(20,955)	49,303
Deferred revenue (scholarships)	3,451	–	3,451	18,418
Tenant deposits	4,979	–	4,979	–
Customer deposits	–	(2,757)	(2,757)	(11,272)
Security deposit	(9,369)	–	(9,369)	–
	190,875	(9,337)	181,538	40,745
Cash flows provided by (used) from operating activities	155,165	(38,603)	116,562	119,526
Financing activities:				
Repayment of loans and borrowings	(520,001)	–	(520,001)	(249,217)
	(520,001)	–	(520,001)	(249,217)
Investing activities:				
Purchase of fixed asset	(1,621,714)	–	(1,621,714)	(3,037)
Proceeds on disposition of property and equipment	3,522,370	15,100	3,537,470	240,604
	1,900,656	15,100	1,915,756	237,567
(Decrease) increase in cash and cash equivalents	1,535,820	(23,503)	1,512,317	107,876
Cash and cash equivalents, beginning of year	188,220	23,794	212,014	104,138
Cash and cash equivalents, end of year	\$ 1,724,040	\$ 291	\$1,724,331	\$ 212,014

See accompanying notes to financial statements.

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)

Notes to Financial Statements

Year ended March 31, 2018, with comparative information for 2017

1. Nature:

The RESET Society of Calgary (formerly 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.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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

(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, grants, contract and services, rent and investment income are recognized when earned.

Donation and after fundraising revenues are recognized as revenue when received or receivable.

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)

Notes to Financial Statements, page 2

Year ended March 31, 2018, with comparative information for 2017

2. Significant accounting policies (continued):

(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.

(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
Leasehold 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.

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)

Notes to Financial Statements, page 3

Year ended March 31, 2018, with comparative information for 2017

2. Significant accounting policies (continued):

(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.

(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.

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)

Notes to Financial Statements, page 4

Year ended March 31, 2018, with comparative information for 2017

2. Significant accounting policies (continued):

(j) 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.

3. Property and equipment:

			2018	2017
	Cost	Accumulated depreciation	Net book value	Net book value
Building	\$ 1,719,624	\$ 20,237	\$ 1,699,387	\$ 322,916
Building improvements	15,497	2,424	13,073	3,992
Leasehold Improvement	55,760	4,182	51,578	—
Vehicles	59,233	57,420	1,813	2,916
Furniture	95,252	81,777	13,475	17,183
Computer equipment	29,239	27,274	1,965	4,369
Kitchen equipment	—	—	—	942
Audio video systems	—	—	—	84
	1,974,605	193,314	1,781,291	352,402
Land held for sale	—	—	—	350,000
Building held for sale	166,667	9,375	157,292	230,725
Building improvements held for sales	7,480	5,087	2,393	91,625
	174,147	14,462	159,685	672,350
	\$ 2,148,752	\$ 207,776	\$ 1,940,976	\$ 1,024,752

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 \$159,685 at the time of listing for sale.

During the year, the Society sold assets held for sale in the prior year for proceeds of \$3,522,370. The sale resulted in a gain of \$2,850,020 which is included in the Statement of Operations.

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)

Notes to Financial Statements, page 5

Year ended March 31, 2018, with comparative information for 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, 2018 was \$3,352 (2017 - \$11,923). These amounts are included in accounts payable and accrued liabilities.

At March 31, 2018, the Society had \$nil (2017 - \$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%. During 2018, the Society repaid the facility in full. At March 31, 2018 the Society had drawn \$nil (2017 - \$520,001) 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;

As at March 31, 2017, the Society had 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 relates to government and grants received for specific purposes as described. As such these are treated as deferred revenue, with the revenue being recognized as the applicable expenses are incurred.

	Beginning	Received during the year	Recognized in revenue	Ending
Government grants	\$ 60,000	\$ 270,047	\$ 325,824	\$ 4,223
Other grants	-	75,000	40,178	34,822
	\$ 60,000	\$ 345,047	\$ 366,002	\$ 39,045

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)

Notes to Financial Statements, page 6

Year ended March 31, 2018, with comparative information for 2017

6. Financial instruments:

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

(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 2017.

(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. There has been no change to the risk exposures from 2017.

(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 2017.

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 2018 were \$352,693 (2017 - \$429,169). In 2018 \$310,119 (2017 - \$311,474) of these contributions were used for program expenses, and the remaining \$42,574 (2017 - \$117,695) were used for administrative expenses.

Expenses incurred for the purposes of soliciting contributions were \$51,837 (2017 - \$62,625). Of this amount, remuneration paid to employees during the year whose principal duties involved fundraising was \$47,989 (2017 - \$58,106).

RESET SOCIETY OF CALGARY

(FORMERLY SERVANTS ANONYMOUS SOCIETY OF CALGARY)

Notes to Financial Statements, page 7

Year ended March 31, 2018, with comparative information for 2017

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.

9. Commitments:

The Society has an operating lease for its premises. Future minimum lease payments, including operating costs, are as follows:

2019	\$	35,927
2020		43,112
2021		43,112
2022		52,094
2023		53,890
Thereafter		321,544
