Financial Statements of

CALGARY MILITARY FAMILY RESOURCE CENTRE

Year ended March 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Calgary Military Family Resource Centre

We have audited the accompanying financial statements of Calgary Military Family Resource Centre, which comprise the statement of financial position as at March 31, 2018, the statement of operations, statement of changes in net assets 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calgary Military Family Resource Centre as at March 31, 2018, and its results of operations and the its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

■, 2018
Calgary, Canada

CALGARY MILITARY FAMILY RESOURCE CENTRE

Statement of Financial Position

March 31, 2018 with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 158,259	$ 639,533
Restricted cash	51,049	7,128
Short term investment	502,058	–
Accounts receivable (note 2)	13,847	11,987
Inventory (note 3)	20,388	19,602
Prepaid expenses	34,263	18,032
	779,864	696,282
Long term investment	304,402	–
Property and equipment (note 5)	28,238	26,068
	$ 1,112,504	$ 722,350
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 34,114	$ 17,029
Deferred contributions (note 6)	319,141	120,507
	353,255	137,536
Net assets:		
Internally restricted reserve (note 7)	649,843	394,547
Internally restricted severance reserve (note 7)	100,709	95,526
Unrestricted	8,697	94,741
	$ 759,249	$ 584,814
Economic Dependence (note 10)		
	$ 1,112,504	$ 722,350

See accompanying notes to financial statements.

Approved on behalf of the board:

____________________ Director ____________________ Director

CALGARY MILITARY FAMILY RESOURCE CENTRE

Statement of Operations

March 31, 2018 with comparative information for 2017

	2018	2017
Revenues:		
Military Family Services (note 8 and 10)	$ 597,351	$ 466,167
Donations (note 8)	229,916	201,340
Breakfast on the bridge	225,826	20,950
General (note 8)	106,397	82,504
Grants	71,980	7,059
Activities	69,585	60,404
Merchandise sales	38,611	27,286
Casino	21,118	36,319
	1,360,784	902,029
Expenses:		
Salaries and wages	616,014	538,671
Administration	188,835	189,297
Activities	101,431	83,141
Breakfast on the bridge	82,655	3,009
Health and wellness	49,768	69,529
Professional services contract	34,138	49,115
Travel expenses	32,785	33,214
Cost of inventories sold	26,263	23,117
Bank charges	10,790	6,095
Amortization	9,804	11,022
Volunteer management	8,972	9,641
Workshop and briefing	8,033	2,908
Insurance	7,719	6,627
Child care	5,001	–
Benevolence	2,879	1,275
Fundraising	1,262	1,118
Bad Debt	–	266
	1,186,349	1,028,045
Excess (deficiency) of revenue over expenditures	$ 174,435	$ (126,016)

See accompanying notes to financial statements.

CALGARY MILITARY FAMILY RESOURCE CENTRE

Statement of Changes in Net Assets

March 31, 2018 with comparative information for 2017

	Internally Restricted Reserve	Internally Restricted Severance Reserve	Unrestricted	Total 2018	Total 2017
Balance, beginning of year	$ 394,547	$ 95,526	$ 94,741	$ 584,814	$ 710,830
Excess (deficiency) of revenue over expenditures	–	–	174,435	174,435	(126,016)
Severance reserve (note 7)	–	5,183	(5,183)	–	–
Transfer to internally restricted reserve (note 7)	255,296	–	(255,296)	–	–
Balance, end of year	$ 649,843	$ 100,709	$ 8,697	$ 759,249	$ 584,814

CALGARY MILITARY FAMILY RESOURCE CENTRE

Statement of Cash Flows

March 31, 2018 with comparative information for 2017

	2018	2017
Cash flows from (used in) operating activities:		
Excess (deficiency) of revenue over expenditures	$ 174,435	$ (126,016)
Adjustments for non-cash items		
Amortization of capital assets	9,804	11,022
	184,239	(114,994)
Changes in non-cash working capital items:		
Accounts receivable	(1,860)	9,618
Inventory	(786)	(447)
Prepaid expenses	(16,231)	60
Accounts payable and accrued liabilities	17,085	(14,216)
Deferred contributions	198,634	40,234
	381,081	(79,745)
Cash flows from (used in) investing activities:		
Purchase (proceeds) of investments	(806,460)	472,304
Purchase of property and equipment	(11,974)	–
	(818,434)	472,304
(Decrease) increase in cash	(437,353)	392,559
Cash, beginning of year	646,661	254,102
Cash, end of year	$ 209,308	$ 646,661

	2018	2017
Cash is comprised of:		
Cash	$ 158,259	$ 639,533
Restricted cash	51,049	7,128
Cash, end of year	$ 209,308	$ 646,661

See accompanying notes to financial statements.

Calgary Military Family Resource Centre (the "Centre") was incorporated on March 15, 1991 under the Societies Act as a not-for-profit organization formed for the purpose of providing family support services to the military community. The Centre is a not-for-profit organization under Section 149(1) of the Income Tax Act and accordingly, is not subject to income tax. Effective March 15, 1991 the Centre was awarded charitable status for income tax purposes.

1. 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 Centre follows the deferral method of accounting for contributions. Restricted contributions are deferred until the period the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. All revenues and contributions are recognized when the amounts are known, collection is reasonably assured and the following criteria are met:

- Contributions for program related activities include amounts recovered from activities undertaken by the Centre and are recognized when the events occur.
- Funds received from sale of merchandise and family passes are recognized at the point of sale.
- Casino contributions are deferred until the period the related eligible expenditures are incurred.
- Grants are recognized in the period the related expenses are incurred.

(b) Cash and cash equivalents:

Cash includes deposits in bank and investment in treasury bills with maturities of less than ninety days.

(c) Restricted cash:

Restricted cash consists of funds received from casino fundraisers and interest thereon. The usage of these funds is restricted by the funding guidelines of the Alberta Gaming and Liquor Commission ("AGLC").

(d) Short-term and long-term investments:

The short-term investments represent Guaranteed Investment Certificates ("GICs") bearing interest rates as mandated by the financial institution maturing within one year from the date of origin. The long-term investments represent Guaranteed Investment Certificates ("GICs") bearing interest rates as mandated by the financial institution maturing after one year from the date of origin.

1. Significant accounting policies (continued):

(e) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

(f) Property and equipment:

Property and equipment are recorded at cost. The Centre provides for amortization using the declining balance method at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates are as follows:

Asset	Rate
Vehicles	30%
Furniture and fixtures	20%
Computer equipment	45%

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.

Contributed property and equipment used in the Centre's normal operations are recorded at fair value, when fair value can be reasonably determined.

(g) Contributed materials and services:

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

Volunteers contribute their time to assist the Centre in carrying out its services. Because of the difficulty in determining their value, donated services 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 following:

The valuation of inventory is based on management's estimate of obsolete inventory.

The valuation of property and equipment is based upon management's estimate of the future benefit of the related asset and the amount recorded for amortization is based on management's estimate of the remaining useful lives of the assets.

1. Significant accounting policies (continued):

(h) Use of estimates (continued):

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of future changes in such estimates could be material. Changes in estimates are recognized in the period of determination.

(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 Centre 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 Centre 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 Centre 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.

2. Accounts receivable:

Included in accounts receivable is $10,202 (2017 - $6,296), representing GST due from the government.

3. Inventory:

Inventory consists of the following:

	2018	2017
Support our Troops promotional items	$ 15,245	$ 11,450
Passes/tickets	5,143	8,152
	$ 20,388	$ 19,602

4. Contributed materials:

During the year, $107,763 (2017 - $130,236) of contributed materials were recognized in revenues and expenditures. Contributed materials consisted of office supplies, tickets and printings.

5. Property and equipment:

Property and equipment consists of the following:

	Cost	Accumulated Amortization	2018 Net book Value	2017 Net book Value
Vehicles	$ 33,044	$ 17,431	$ 15,613	$ 21,686
Furniture and fixtures	2,230	1,983	247	308
Computer equipment	27,200	14,822	12,378	4,074
	$ 62,474	$ 34,236	$ 28,238	$ 26,068

6. Deferred contributions:

Deferred contributions include unspent casino revenues that have a restricted use and all other amounts received as donations and grants that have external restrictions placed on them by donors. Changes in the deferred contributions balance are as follows:

	March 31, 2017	Revenue recognized	Funds received	March 31, 2018
Casino	7,128	20,963	64,884	51,049
Wellness Retreat	12,500	12,700	49,842	49,642
Breakfast on the Bridge	73,250	140,900	69,150	1,500
Child/Youth	675	19,800	19,125	–
Other externally restricted funds	1,426	1,425	16	17
Hornburg Fund	25,528	25,549	15,000	14,979
MFS Core Funding	–	–	132,407	132,407
Red Deer Golf	–	–	17,500	17,500
PSI Workshop	–	1,496	5,000	3,504
CIP Grant	–	1,457	45,000	43,543
Airdrie Legion	–	–	5,000	5,000
	$ 120,507	$ 224,290	$ 422,924	$ 319,141

7. Internally restricted reserves:

During the previous years, the Board of Directors passed a motion to set up an internal reserve fund to help ensure the long term financial stability of the Centre.

(a) During the year, $255,296 was transferred into the internally restricted reserve (2017 - $19,462). The internally restricted reserve is determined each year based on the following:

(i) Total liabilities, including deferred revenue and deferred contributions;

(ii) 25% of expenditures.

(b) During the year, the severance reserve was increased by $5,183 (2017 – decreased by $6,616) and was transferred from unrestricted to internally restricted severance reserve. The internally restricted severance reserve is determined each year based on two weeks of earning for each year of employment at the Center.

	2018	2017
Deferred contributions	$ 319,141	$ 120,507
Accounts payable and accrued liabilities	34,114	17,029
25% of expenditures	296,588	257,011
Internally restricted reserve	649,843	394,547
Internally restricted severance accrual	100,709	95,526
Total internally restricted reserves	$ 750,552	$ 490,073

8. Related party transactions:

During the year, $600 (2017 - $50) was contributed by members of the board of directors. This amount is included in donations revenue. In addition, the Centre received funding of $597,351 (2017 - $466,167) from Military Family Services and $36,272 (2016 - $29,798) from 3 CDSG Pers Support Svs during the year. The amount from 3 CDSG Pers Support Svs is included in general revenue.

These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Fundraising expenses:

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 $443,663 (2017 - $206,190). $363,804 (2017 - $169,076) of these contributions were used for program expenses, and the remaining $79,859 (2017 - $37,114) were used for administrative expenses.

Expenses incurred for the purposes of soliciting contributions were $1,262 (2017 - $1,118). Of this amount, remuneration paid to employees during the year whose principal duties involved fundraising was $nil (2017 - $nil).

10. Economic dependence:

During the year, the Centre received revenue of $597,351 (2017 - $466,167) which represents 44% (2017 – 51%) of its revenues from Military Family Services.

The Centre is also economically dependent on 3 CDSG Pers Support Svs with revenue of $36,272 (2017 – $29,798), Garrison Edmonton ("CDSG"), as they use the CDSG's facilities and certain materials and services at no cost.

11. Financial instruments:

The Centre holds various forms of financial instruments. The nature of these instruments and the Centre's operations expose the Centre to credit, interest and liquidity risks. The Centre manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Credit risk:

Credit risk is the risk that the Centre will incur a financial loss because a contributor or counterparty has failed to discharge an obligation. The Centre's accounts receivable consists of GST receivable from the government and other receivables. A substantial portion of the accounts receivable are with well-known and reliable funders and are subject to normal credit risk. Accordingly, the Centre views credit risk as minimal.

The Centre is also exposed to credit risk as a significant portion of the Centre's cash, restricted cash and short term investments are held at one chartered bank. As such, the Centre is exposed to all the risks of that financial institution.

(b) Liquidity risk:

Liquidity risk is the risk that the Centre encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Centre will not have sufficient funds to settle a transaction on the due date, will be forced to sell financial assets at a value which is less than what they are worth, or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities. The Centre has sufficient cash to discharge its liabilities.

(c) Interest rate risk:

The Centre is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the fair value of investments, which include investments with maturity periods of one year or less.