

FRESH START RECOVERY CENTRE

Financial Statements

Year Ended December 31, 2017

FRESH START RECOVERY CENTRE
Index to Financial Statements
Year Ended December 31, 2017

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 11
Operating Fund (<i>Schedule 1</i>)	12
Property and Equipment Fund (<i>Schedule 2</i>)	13

CREMERS & ELLIOTT

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Directors of Fresh Start Recovery Centre

We have audited the accompanying financial statements of Fresh Start Recovery Centre, which comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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.

(continues)

Independent Auditor's Report to the Directors of Fresh Start Recovery Centre *(continued)*

Basis for Qualified Opinion

In common with many charitable organizations, the Centre derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenditures, current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Fresh Start Recovery Centre as at December 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
March 23, 2018


Elliott & Company LLP
CHARTERED ACCOUNTANTS

FRESH START RECOVERY CENTRE**Statement of Financial Position****December 31, 2017**

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 306,594	\$ 198,138
Restricted cash	4,241,750	-
Accounts receivable	165,460	108,694
Goods and services tax recoverable	-	5,100
Prepaid expenses	10,089	15,276
Deposits on property and equipment	57,000	487,923
	<u>4,780,893</u>	<u>815,131</u>
PROPERTY AND EQUIPMENT (Notes 3, 4)	<u>17,482,792</u>	<u>11,556,619</u>
	<u>\$ 22,263,685</u>	<u>\$ 12,371,750</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 5)	\$ 914,501	\$ 1,288,903
Accounts payable	90,700	87,874
Accrued liabilities for capital projects (Note 4)	3,742,721	-
Goods and services tax payable	26,834	-
Current portion of long term debt (Note 7)	6,842	6,501
	<u>4,781,598</u>	<u>1,383,278</u>
LONG TERM DEBT (Note 7)	<u>1,249</u>	<u>8,121</u>
	<u>4,782,847</u>	<u>1,391,399</u>
NET ASSETS		
Operating Fund	364,608	10,980,351
Property and Equipment Fund	17,116,230	-
	<u>17,480,838</u>	<u>10,980,351</u>
	<u>\$ 22,263,685</u>	<u>\$ 12,371,750</u>

ON BEHALF OF THE BOARD

Director

Director**CREMERS & ELLIOTT**

CHARTERED ACCOUNTANTS

See notes to financial statements

FRESH START RECOVERY CENTRE
Statement of Revenues and Expenditures
Year Ended December 31, 2017

	2017	2016
REVENUES		
Operating Fund <i>(Schedule 1)</i>	\$ 2,608,852	\$ 2,908,202
Property and Equipment Fund <i>(Schedule 2)</i>	<u>6,577,127</u>	<u>-</u>
	<u>9,185,979</u>	<u>2,908,202</u>
EXPENDITURES		
Operating Fund <i>(Schedule 1)</i>	2,478,216	2,767,154
Property and Equipment Fund <i>(Schedule 2)</i>	<u>207,276</u>	<u>-</u>
	<u>2,685,492</u>	<u>2,767,154</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 6,500,487</u>	<u>\$ 141,048</u>

FRESH START RECOVERY CENTRE
Statement of Changes in Net Assets
Year Ended December 31, 2017

	Operating Fund	Property and Equipment Fund	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 10,980,351	\$ -	\$ 10,980,351	\$ 10,839,303
Excess of revenues over expenditures	130,636	6,369,851	6,500,487	141,048
Interfund transfer of unrestricted net assets invested in property and equipment (<i>Note 8</i>)	(10,746,379)	10,746,379	-	-
NET ASSETS - END OF YEAR	\$ 364,608	\$ 17,116,230	\$ 17,480,838	\$ 10,980,351

FRESH START RECOVERY CENTRE**Statement of Cash Flow****Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 6,500,487	\$ 141,048
Item not affecting cash:		
Amortization of property and equipment	193,818	203,188
	<u>6,694,305</u>	<u>344,236</u>
Changes in non-cash working capital:		
Accounts receivable	(56,767)	5,317
Prepaid expenses	5,187	1,585
Accrued liabilities for capital projects	3,742,721	-
Goods and services tax payable	31,934	1,634
Deferred contributions	-	(505,000)
Accounts payable	2,825	52,356
	<u>3,725,900</u>	<u>(444,108)</u>
Cash flow from (used by) operating activities	<u>10,420,205</u>	<u>(99,872)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(6,119,989)	(10,143)
Deposits on property and equipment	430,923	(487,923)
Cash flow used by investing activities	<u>(5,689,066)</u>	<u>(498,066)</u>
FINANCING ACTIVITIES		
Repayment of bank indebtedness	(374,402)	(11,097)
Repayment of long term debt	(6,531)	(6,183)
Cash flow used by financing activities	<u>(380,933)</u>	<u>(17,280)</u>
INCREASE (DECREASE) IN CASH FLOW	<u>4,350,206</u>	<u>(615,218)</u>
Cash - beginning of year	<u>198,138</u>	<u>813,356</u>
CASH - END OF YEAR	<u>\$ 4,548,344</u>	<u>\$ 198,138</u>
CASH CONSISTS OF:		
Cash	\$ 306,594	\$ 198,138
Restricted cash	4,241,750	-
	<u>\$ 4,548,344</u>	<u>\$ 198,138</u>

FRESH START RECOVERY CENTRE

Notes to Financial Statements

Year Ended December 31, 2017

1. DESCRIPTION OF OPERATIONS

Fresh Start Recovery Centre (the "Centre") is a not-for-profit organization providing rehabilitation services to the community. The Centre is registered as a charity and is incorporated under the Societies Act of the Province of Alberta. The Centre is exempt from income taxes pursuant to section 149(1)(l) of the Income Tax Act; accordingly, no provision for income taxes has been provided for in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASPNO).

Fund accounting

Fresh Start Recovery Centre follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Centre's program delivery and administrative activities. This fund reports unrestricted resources and restricted contributions for operations.

The Property and Equipment Fund reports the assets, liabilities, revenues and expenditures related to the Centre's capital assets and building expansion campaigns.

Revenue recognition

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

Investment income earned on building campaign resources is recognized as revenue of the Property and Equipment Fund. Other investment income is recognized as revenue of the Operating Fund when earned.

The Centre recognizes earned revenues in the Operating Fund when all the following conditions are met:

- services are provided to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

(continues)

FRESH START RECOVERY CENTRE

Notes to Financial Statements

Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated services and materials

The value of donated materials and services is recorded only when the value of such contributions can be reasonably determined, and only when the materials and services would normally have been purchased by the Centre in the course of operations.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Assets are amortized over their estimated useful lives at the following rates and methods:

Leasehold improvements in progress	5 years	straight-line method
Buildings	1%	declining balance method
Computer equipment	30%	declining balance method
Motor vehicles	30%	declining balance method
Furniture and equipment	20%	declining balance method

The Centre regularly reviews its property and equipment to eliminate obsolete items. Capital additions over \$2,500 are capitalized.

Financial instruments policy

The Centre initially measures its financial assets and liabilities at fair value, with the exception of non-arm's length transactions that are measured at the exchange amount.

In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

The Centre recognizes its transaction costs as an expense in the period incurred for equity investments and all other financial instruments subsequently measured at fair value. Financial instruments that are subsequently measured at amortized cost are adjusted by the transaction costs and financing fees that are directly attributable to their organization, issuance or assumption.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

FRESH START RECOVERY CENTRE**Notes to Financial Statements****Year Ended December 31, 2017****3. PROPERTY AND EQUIPMENT**

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 3,401,730	\$ -	\$ 3,401,730	\$ 1,539,000
Construction in progress	2,358,088	-	2,358,088	-
Leasehold improvements in progress	277,252	-	277,252	-
Buildings	11,593,874	499,687	11,094,187	9,650,328
Furniture and equipment	819,630	545,064	274,566	295,775
Computer equipment	157,014	112,605	44,409	25,002
Motor vehicles	100,163	67,603	32,560	46,514
	\$ 18,707,751	\$ 1,224,959	\$ 17,482,792	\$ 11,556,619

4. NEW FACILITY FUNDING

During the 2017 fiscal year the Centre began construction on three major capital projects.

The first is the renovation and leasing of a building that will include a cafe intended to provide employment and training opportunities for people in recovery.

In addition, two residential facilities are being constructed that will provide secure and affordable housing to those recovering from addiction. One building is complete and provides 18 additional recovery spaces. The second building is under construction and will provide 26 additional recovery spaces. The Centre has a commitment to repay funding received if it fails to maintain ownership and control of the facilities, or does not operate them pursuant to the terms of agreements which require accommodation to be provided for homeless individuals dealing with addiction. It is management's opinion that these funding conditions are being met.

Alberta Social Housing has indicated it will commit \$7.22 million in total to the two residential facilities. Funding received and expenditures relating to these projects are reported in the Property and Equipment Fund.

5. BANK INDEBTEDNESS

Bank indebtedness consists of one revolving loan, repayable on demand and bearing interest at prime plus 1%. The credit facility is secured by specific capital assets of the Centre.

6. FINANCIAL INSTRUMENTS

The Centre is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Centre's risk exposure and concentration as of December 31, 2017.

(continues)

FRESH START RECOVERY CENTRE

Notes to Financial Statements

Year Ended December 31, 2017

6. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Centre is exposed to credit risk from customers. In order to reduce its credit risk, the Centre reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Centre has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, bank indebtedness, long-term debt, and accounts payable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Centre is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Centre manages exposure through its normal operating and financing activities. The Centre is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the Centre is not exposed to other significant risks arising from these financial instruments.

7. LONG TERM DEBT

	2017	2016
Automotive loan bearing interest at 5.49% per annum, repayable in monthly blended payments of \$598. The loan matures on February 14, 2019 and is secured by a vehicle.	\$ 8,091	\$ 14,622
Amounts payable within one year	(6,842)	(6,501)
	<u>\$ 1,249</u>	<u>\$ 8,121</u>
Principal repayment terms are approximately:		
2018	\$ 6,842	
2019	1,249	
	<u>\$ 8,091</u>	

FRESH START RECOVERY CENTRE

Notes to Financial Statements

Year Ended December 31, 2017

8. VOLUNTARY POLICY CHANGE

In the 2017 fiscal period the Centre determined that creating the Property and Equipment Fund would provide more relevant information to users of the financial statements regarding major capital projects. The Property and Equipment Fund recognizes contributions specifically restricted for capital projects as revenue in the period received according to the restricted fund method.

This voluntary policy change was applied retrospectively to the comparative figures in these financial statements, some of which have been reclassified to conform to the current year's presentation; however, the Centre has determined it would be impractical to adjust periods prior to those presented as the costs would exceed any potential benefits.

This policy change primarily affects the presentation of the statement of revenues and expenditures, which previously provided all of the Centre's financial information in a single-fund format using the deferral method of revenue recognition. In the 2017 financial statements, the Operating Fund statement of revenues and expenditures in Schedule 1 presents unrestricted resources and program operations, while the Property and Equipment Fund statement of revenues and expenditures in Schedule 2 now separately presents operations relating to the Centre's capital asset projects.

FRESH START RECOVERY CENTRE**Operating Fund****(Schedule 1)****Year Ended December 31, 2017**

	2017	2016
REVENUES		
Accommodation	\$ 1,364,086	\$ 1,180,043
Fundraising and donations	1,043,381	1,033,398
Municipal funding	114,267	114,267
Alberta Culture and Tourism - operations funding	45,000	-
Alberta Health Services - Addiction and Mental Health funding	41,706	42,231
Interest	412	142
Property and equipment funding	-	538,121
	2,608,852	2,908,202
EXPENDITURES		
Salaries and wages	1,736,977	1,784,606
Program supplies	207,564	255,712
Fundraising expenses	125,121	88,688
Utilities, phone and Internet	101,373	112,673
Office and administrative	83,852	67,317
Travel and vehicle	66,781	62,070
Repairs and maintenance	57,905	94,555
Interest and bank charges	54,201	58,447
Insurance	36,247	29,705
Professional fees	8,195	10,193
Amortization of property and equipment	-	203,188
	2,478,216	2,767,154
EXCESS OF REVENUES OVER EXPENDITURES	\$ 130,636	\$ 141,048

FRESH START RECOVERY CENTRE**Property and Equipment Fund****(Schedule 2)****Year Ended December 31, 2017**

	2017	2016
REVENUES		
Alberta Social Housing Corporation funding	\$ 5,424,330	\$ -
Restricted contributions for Memorial Cafe	750,000	-
Other property and equipment funding	400,000	-
Interest	2,797	-
	<u>6,577,127</u>	<u>-</u>
EXPENDITURES		
Amortization of property and equipment	193,818	-
Salaries and wages	5,806	-
Office and other administrative expense	7,652	-
	<u>207,276</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 6,369,851</u>	<u>\$ -</u>