FRESH START RECOVERY CENTRE

Financial Statements

Year Ended December 31, 2014

CREMERS & ELLIOTT
CHARTERED ACCOUNTANTS

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CHARTERED ACCOUNTANTS

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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, 2014 and the statements of revenues and expenditures, changes in net assets and cash flows 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.

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 expenses, current assets and net assets.

(continues)

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, 2014 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.

Cremers & Elliott

Calgary, Alberta
March 31, 2015

Cremers & Elliott
CHARTERED ACCOUNTANTS

FRESH START RECOVERY CENTRE

Statement of Financial Position

December 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash	$ 388,072	$ 392,202
Accounts receivable	113,059	100,815
Goods and services tax recoverable	4,284	5,702
	505,415	498,719
PROPERTY AND EQUIPMENT *(Note 3)*	11,904,590	12,110,425
	$ 12,410,005	$ 12,609,144
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness *(Note 4)*	$ 1,300,000	$ 1,300,000
Accounts payable	41,593	47,000
Current portion of long term debt *(Note 5)*	5 378	
	1,346,971	1,347,000
LONG TERM DEBT *(Note 5)*	21,282	
	1,368,253	1,347,000
NET ASSETS		
Invested in property and equipment *(Note 6)*	10,577,930	10,810,425
Unrestricted fund	463 822	451,719
	11,041,752	11,262,144
	$ 12,410,005	$ 12,609,144

ON BEHALF OF THE BOARD

_______________ *Director*

_______________ *Director*

CREMERS & ELLIOTT

CHARTERED ACCOUNTANTS

FRESH START RECOVERY CENTRE
Statement of Revenues and Expenditures
Year Ended December 31, 2014

		2014		2013
RECEIPTS				
Fundraising and Donations	$	1,073,059	$	870,985
Accommodation Income		963,556		787,575
Government Flood Relief		75,000		
Alberta Health Services - Addiction and Mental Health funding		40,159		39,179
		2,151,774		1,697,739
EXPENDITURES				
Salaries and wages		1,547,283		1,465,160
Program supplies		147,350		167,201
Utilities		107,438		101,679
Fundraising expenses		75,801		66,388
Repairs and maintenance		70,056		44,809
Office and general and administrative		72,966		76,973
Interest and bank charges		55,424		63,447
Travel and vehicle		43,364		53,060
Insurance - building and general		28,774		24,001
Professional fees		10 141		13,266
		2,158,597		2,075,984
DEFICIENCY OF RECEIPTS OVER EXPENDITURES FROM OPERATIONS		(6,823)		(378,245)
OTHER INCOME AND EXPENDITURES				
Amortization		(239,124)		(273,671)
Gain on disposal of property and equipment		1,055		
Property and equipment funding		24,500		119,960
		(213,569)		(153,711)
DEFICIENCY OF RECEIPTS OVER EXPENDITURES	$	(220,392)	$	(531,956)

FRESH START RECOVERY CENTRE
Statement of Changes in Net Assets
Year Ended December 31, 2014

	Unrestricted Fund	Capital Fund	2014	2013
NET ASSETS - BEGINNING OF YEAR	$ 451,719	$ 10,810,425	$ 11,262,144	$ 11,976,826
Excess (deficiency) of receipts over expenditures	(220,392)		(220,392)	(531,956)
Disposition of Keys to Recovery Program				(182,726)
Property and equipment fund transfer	232,495	(232,495)		
NET ASSETS - END OF YEAR	$ 463,822	$ 10,577,930	$ 11,041,752	$ 11,262,144

CREMERS & ELLIOTT
CHARTERED ACCOUNTANTS

FRESH START RECOVERY CENTRE
Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Net deficiency from operations	$ (220,392)	$ (531,956)
Items not affecting cash:		
Amortization	239,124	273,671
Gain on disposal of property and equipment	(1,055)	
	17,677	(258,285)
Changes in non-cash working capital:		
Accounts receivable	(12,244)	(18,085)
Accounts payable	(5,408)	22,226
GST payable (receivable)	1 419	21,541
	(16,233)	25,682
Cash flow from (used by) operating activities	1,444	(232,603)
INVESTING ACTIVITIES		
Additions to property and equipment	(36,034)	(104,717)
Proceeds on disposal of property and equipment	3,800	1,790
Disposition of Keys to Recovery Program		(182,726)
Cash flow used by investing activities	(32,234)	(285,653)
FINANCING ACTIVITIES		
Proceeds (repayment) of demand loan		(200,000)
Repayment of long term loan	(4,636)	
Proceed of long term loan	31,296	
Cash flow from (used by) financing activities	26,660	(200,000)
DECREASE IN CASH FLOW	(4,130)	(718,256)
CASH - Beginning of year	392,202	1,110 458
CASH - End of year	$ 388,072	$ 392,202
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	$ (53,624)	$ (57,269)

CREMERS &ELLIOTT
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1. DESCRIPTION OF OPERATIONS

The Centre is a non-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)(1) 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 (ASNFPO).

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Fees earned for services provided are recorded as revenue when received or receivable. Funding received for services relating to programs are recorded as revenue when the program is delivered. Unrestricted donations or grants are recorded as revenue when received or receivable. In kind donations received are recorded as revenue when the fair value of the donations can be reasonably determined. Deferred donations are recognized as revenue in the year in which the related expenses are incurred.

Property and equipment

Property and equipment are stated at cost less accumulated amortization All costs related to the new facility under construction have been capitalized. Assets are amortized over their estimated useful lives at the following rates and methods:

Buildings	1%	declining balance method
Motor vehicles	30%	declining balance method
Computer equipment	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. Starting in 2013, amortization is taken on buildings.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. 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. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2014 Net book value**	2013 Net book value
Land	$ 1,539,000	$	$ **1,539,000**	$ 1,539,000
Buildings	10,045,772	199,709	**9,846,063**	9,945,416
Furniture and Equipment	750,497	315,675	**434,822**	546,135
Motor vehicles	49,968	15,993	**33,975**	7,524
Computer equipment	125,358	74,628	**50730**	72,350
	$ 12,510,595	$ 606,005	$ **11,904,590**	$ 12,110,425

4. BANK DEMAND LOANS

The Centre carries two bank demand loans with aggregate borrowings of $1,300,000 as at the end of the year. The loans are payable on demand and bear interest as follows: $1,000,000 at bank prime plus 1.0% and $300,000 at bank prime plus 3%. Both loans are secured by real property of the Centre.

5. LONG TERM DEBT

	2014	2013
Automotive loan bearing interest at 5.49% per annum, repayable in monthly blended payments of $598. The loan matures on February 14, 2018 and is secured by an automobile.	$ **26,660**	$
Amounts payable within one year	**(5,378)**	
	$ **21,282**	$

Principal repayment terms are approximately:

2015	$ 5,378
2016	6,155
2017	6,502
2018	6,868
2019	1,757
	$ 26,660

6. NET ASSETS INVESTED IN PROPERTY AND EQUIPMENT

	2014	2013
Property and equipment(Note 3)	**$ 11,904,590**	$ 12,110,425
Demand Loans	**(1,300,000)**	(1,300,000)
Long term loan	**(26,660)**	
	$ 10,5771930	10,810,425

7. FINANCIAL INSTRUMENTS

The Centre is exposed to various risks through its financial instruments and has a 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, 2014.

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 bank indebtedness 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.

8. CASH HELD IN TRUST

At year end Fresh Start Recovery Centre was holding in trust, cash of $67,889 in respect of a fiscal sponsorship relating to Calgary Community Addictions Strategy. This balance is offset by a current liability of the organization. These amounts are not reported on the Balance Sheet.