FRESH START RECOVERY CENTRE

Financial Statements

Year Ended December 31, 2016

CREMERS & ELLIOTT
CHARTERED ACCOUNTANTS

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, 2016 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.

(continues)

212 - 3907 3A Street NE, Calgary, AB, T2E 6S7 | Telephone: 403-245-5355 | Fax: 403-245-5393

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.

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, 2016 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.

Calgary, Alberta
March 30, 2017

Elliott & Company LLP
CHARTERED ACCOUNTANTS

FRESH START RECOVERY CENTRE
Statement of Financial Position
December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	$ 198,138	$ 813,356
Accounts receivable	108,694	114,011
Goods and services tax recoverable	5,100	6,734
Prepaid expenses	15,276	16,861
Deposits on land	487 923	
	815,131	950,962
PROPERTY AND EQUIPMENT *(Note 3)*	1125562619	11,749,665
	$ 12,371,750	$ 12,700,627
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness *(Note 4)*	$ 1,288,903	$ 1,300,000
Accounts payable	87,874	35,518
Deferred contributions		505,000
Current portion of long term debt *(Note 5)*	6,501	6,153
	1,383,278	1,846,671
LONG TERM DEBT *(Note 5)*	8 121	14,653
	12391,399	1,861,324
NET ASSETS		
Invested in property and equipment *(Note 6)*	10,253,094	10,428,859
Unrestricted	727 257	410,444
	10,980,351	10,839,303
	$ 12,371,750	$ 12,700,627

ON BEHALF OF THE BOARD

_______________________ *Director*

_______________________ *Director*

FRESH START RECOVERY CENTRE
Statement of Revenues and Expenditures
Year Ended December 31, 2016

	2016	2015
REVENUES		
Accommodation revenue	$ **1,180,043**	$ 1,019,890
Fundraising and donations	**1,033,540**	1,274,374
Municipal funding	**114,267**	-
Alberta Health Services - Addiction and Mental Health Funding	**42,231**	39,179
	2,370,081	2,333,443
EXPENDITURES		
Salaries and wages	**1,784,606**	1,642,858
Program supplies	**256,802**	187,256
Utilities, phone and Internet	**112,673**	88,264
Repairs and maintenance	**93,466**	53,561
Fundraising expenses	**88,688**	109,178
Office and general and administrative	**67,317**	81,263
Travel and vehicle	**62,070**	57,910
Interest and bank charges	**58,446**	56,474
Insurance - building and general	**29,705**	31,718
Professional fees	**10,193**	10,136
	2,563,966	2,318,618
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	**(193,885)**	14,825
OTHER INCOME AND (EXPENDITURES)		
Amortization	**(203,188)**	(221,948)
Property and equipment funding	**538,121**	4,675
	334,933	(217,273)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ **141,048**	$ (202,448)

FRESH START RECOVERY CENTRE
Statement of Changes in Net Assets
Year Ended December 31, 2016

	Unrestricted	Invested in Property and Equipment	2016	2015
NET ASSETS - BEGINNING OF YEAR	$ 410,444	$ 10,428,859	**$ 10,839,303**	$ 11,041,751
Excess (deficiency) of revenues over expenditures	141,048	-	**141,048**	(202,448)
Repayment of debt	(17,280)	17,280	-	-
Amortization	203,188	(203,188)	-	-
Property and equipment purchases	(10,143)	10,143	-	-
NET ASSETS - END OF YEAR	$ 727,257	$ 10,253,094	**$ 10,980,351**	$ 10,839,303

FRESH START RECOVERY CENTRE
Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	$ 141,048	$ (202,448)
Item not affecting cash:		
Amortization	203,188	221,948
	344,236	19,500
Changes in non-cash working capital:		
Accounts receivable	5,317	(952)
Goods and services tax recoverable	1,634	(2,450)
Prepaid expenses	1,585	(16,861)
Accounts payable	52,356	(6,077)
Deferred contributions	(505,000)	505,000
	(444,108)	478,660
Cash flow from (used by) operating activities	(99,872)	498,160
INVESTING ACTIVITIES		
Additions to property and equipment	(10,143)	(67,022)
Deposits on land	(487,923)	-
Cash flow used by investing activities	(498,066)	(67,022)
FINANCING ACTIVITIES		
Repayment of bank indebtedness	(11,097)	-
Repayment of long term debt	(6,183)	(5,854)
Cash flow used by financing activities	(17,280)	(5,854)
INCREASE (DECREASE) IN CASH FLOW	(615,218)	425,284
CASH - Beginning of year	813,356	388,072
CASH - End of year	$ 198,138	$ 813,356

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).

Revenue recognition

The Centre follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions for general operations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Centre recognizes revenues when they are earned, specifically 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.

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:

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.

(continues)

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

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	**2016 Net book value**	2015 Net book value
Land	$ 1,539,000	$ -	**$ 1,539,000**	$ 1,539,000
Buildings	10,045,772	395,444	**9,650,328**	9,747,704
Furniture and equipment	777,468	481,693	**295,775**	360,917
Motor vehicles	100,163	53,649	**46,514**	66,448
Computer equipment	125,358	100,356	**25,002**	35,596
	$ 12,587,761	$ 1,031,142	**$ 11,556,619**	$ 11,749,665

4. BANK INDEBTEDNESS

	2016	2015
Bank indebtedness consists of two loans, repayable on demand and bearing interest at prime plus 1% (current rate of 3.7%). Both loans are secured by real property of the Centre.	**$ 1,288,903**	$ 1,300,000

5. LONG TERM DEBT

		2016		2015
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.	$	**14,622**	$	20,806
Amounts payable within one year		**(6,501)**		(6,153)
	$	**8,121**	$	14,653

Principal repayment terms are approximately:

2017	$	6,501
2018		6,842
2019		1,279
	$	14,622

6. NET ASSETS INVESTED IN PROPERTY AND EQUIPMENT

	2016	2015
Property and equipment *(Note 3)*	**$ 11,556,619**	$ 11,749,665
Demand loans	**(1,288,903)**	(1,300,000)
Long term debt	**(14,622)**	(20,806)
	$ 10,253,094	10,428,859

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, 2016.

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.

(continues)

7. FINANCIAL INSTRUMENTS *(continued)*

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. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.