FRESH START RECOVERY CENTRE

Financial Statements

Year Ended December 31, 2023

FRESH START RECOVERY CENTRE

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Year Ended December 31, 2023

C & E LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Derek M. Cremers Professional Corporation
J. Scott Chomistek Professional Corporation
Hans Peter Cremers Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Directors of Fresh Start Recovery Centre

Opinion

We have audited the financial statements of Fresh Start Recovery Centre (the Centre), which comprise the statement of financial position as at December 31, 2023, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta
March 28, 2024

C&E LLP Chartered Professional Accountants

FRESH START RECOVERY CENTRE

Statement of Financial Position

December 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	**$ 1,806,458**	$ 2,658,831
Restricted cash	**2,759,812**	617,582
Accounts receivable	**851,783**	666,918
Goods and services tax recoverable	**56,503**	21,266
Prepaid expenses	**54,861**	-
	5,529,417	3,964,597
PROPERTY AND EQUIPMENT *(Note 3)*	**26,081,602**	10,472,029
	$ 31,611,019	$ 14,436,626
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	**$ 640,150**	$ 161,384
Security deposits	**43,285**	41,185
Deferred revenue *(Note 4)*	**2,745,040**	576,006
	3,428,475	778,575
DEFERRED CAPITAL CONTRIBUTIONS *(Note 5)*	**495,000**	-
LOAN PAYABLE *(Note 6)*	**150,000**	-
MORTGAGES PAYABLE *(Note 7)*	**7,850,000**	-
	11,923,475	778,575
NET ASSETS		
Operating fund	**862,965**	2,827,023
Property and equipment fund	**18,824,579**	10,831,028
	19,687,544	13,658,051
	$ 31,611,019	$ 14,436,626

ON BEHALF OF THE BOARD

_____________________ *Director*

_____________________ *Director*

FRESH START RECOVERY CENTRE

Statement of Revenues and Expenditures

Year Ended December 31, 2023

	2023	2022
OPERATING FUND REVENUES		
Alberta Health Services - Addiction and Mental Health funding *(Note 8)*	**$ 2,790,413**	$ 2,464,853
Accommodation	**2,031,226**	1,819,283
Government of Alberta Grant *(Note 9)*	**1,995,524**	-
Fundraising and donations	**1,862,318**	1,379,881
Community outreach grants	**260,138**	-
Interest	**195,563**	56,265
	9,135,182	5,720,282
OPERATING FUND EXPENDITURES		
Salaries and wages	**4,612,840**	3,770,728
Program supplies	**676,307**	473,553
Office, administrative, and other	**351,988**	152,109
Utilities, phone and internet	**335,147**	247,322
Repairs and maintenance	**252,897**	201,378
Fundraising expenses	**243,543**	118,586
Travel and vehicle	**94,511**	95,236
Insurance	**94,393**	78,394
Interest and bank charges	**58,384**	5,494
Professional fees	**49,484**	16,140
Interest on mortgage	**26,668**	-
Consultant fees	**8,359**	-
	6,804,521	5,158,940
OPERATING FUND EXCESS	**2,330,661**	561,342
PROPERTY AND EQUIPMENT FUND REVENUES		
Revenue on deferred capital contributions	**5,000**	-
PROPERTY AND EQUIPMENT FUND EXPENDITURES		
Amortization of property and equipment	**306,168**	167,822
TOTAL EXCESS OF REVENUES OVER EXPENDITURES	**$ 2,029,493**	$ 393,520

FRESH START RECOVERY CENTRE
Statement of Changes in Net Assets
Year Ended December 31, 2023

	Operating Fund	Property and Equipment Fund	**2023**	2022
NET ASSETS - BEGINNING OF YEAR	$ 2,827,023	$ 10,831,028	**$ 13,658,051**	$ 13,264,532
Excess (deficiency) of revenues over expenditures	2,330,661	(301,168)	**2,029,493**	393,519
Interfund transfers	(4,294,719)	4,294,719	**-**	-
Capital contribution - land *(Note 10)*	-	4,000,000	**4,000,000**	-
Net assets from Lethbridge & Community Addictions Treatment Society (LCATS)	-	-	**-**	-
NET ASSETS - END OF YEAR	$ 862,965	$ 18,824,579	**$ 19,687,544**	$ 13,658,051

FRESH START RECOVERY CENTRE

Statement of Cash Flows

Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	**$ 2,029,493**	$ 393,520
Item not affecting cash:		
Amortization of property and equipment	**306,168**	167,822
	2,335,661	561,342
Changes in non-cash working capital:		
Restricted cash	**(2,142,230)**	68,353
Accounts receivable	**(184,867)**	(376,754)
Accounts payable	**478,766**	(8,451)
Prepaid expenses	**(54,861)**	1,150
Goods and services tax payable	**(35,237)**	(2,642)
Deferred revenue	**2,169,034**	424,101
Deferred capital contributions	**495,000**	-
Security deposits	**2,100**	7,860
	727,705	113,617
Cash flow from operating activities	**3,063,366**	674,959
INVESTING ACTIVITIES		
Purchase of property and equipment	**(15,915,739)**	(62,977)
	-	-
Cash flow used by investing activities	**(15,915,739)**	(62,977)
FINANCING ACTIVITIES		
Loan payable	**150,000**	-
Grant financing	**4,000,000**	-
Proceeds from long term financing	**7,850,000**	-
Repayment of long term debt	**-**	(233,990)
Cash flow from (used by) financing activities	**12,000,000**	(233,990)
INCREASE (DECREASE) IN CASH FLOW	**(852,373)**	377,992
Cash - beginning of year	**2,658,831**	2,280,839
CASH - END OF YEAR	**$ 1,806,458**	$ 2,658,831

1. DESCRIPTION OF OPERATIONS

Fresh Start Recovery Centre (the Centre) is a not-for-profit organization providing services to house, treat, and support those affected by addiction. 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 (ASNPO).

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 intended only for operations.

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

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Revenue recognition

Restricted contributions intended only for 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 Property and Equipment 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.

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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:

Buildings	1%	declining balance method
Leasehold improvements	5 years	straight-line 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, and for conditions that indicate impairment. Capital additions over $2,500 are capitalized.

Capital contributions

Contributions for acquiring fixed assets are recorded as deferred capital contributions and are amortized on the same basis and same rates as other related fixed assets. Revenue on deferred capital contributions is recognized at the same rate as amortization. Capital contributions for acquiring undepreciable fixed assets are recognized in net assets as the eligible expenditures are incurred as per ASNPO.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued, with the exception of related party transactions that are measured at the carrying amount or exchange amount, as appropriate. 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 are recognized as an expense in the period incurred for all 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.

All financial assets and financial liabilities are measured at amortized cost, unless otherwise noted.

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

Measurement uncertainty

When preparing financial statements according to ASNPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the organization may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of property and equipment, asset impairments, and legal contingencies.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2023 Net book value**	2022 Net book value
Land	$ 8,200,000	$ -	**$ 8,200,000**	$ 1,300,000
Buildings	17,902,096	1,062,716	**16,839,380**	8,868,566
Leasehold improvements	229,096	65,812	**163,284**	99,228
Furniture and equipment	1,496,994	888,874	**608,120**	156,824
Motor vehicles	163,096	105,308	**57,788**	20,712
Computer equipment	424,375	211,345	**213,030**	26,699
	$ 28,415,657	$ 2,334,055	**$ 26,081,602**	$ 10,472,029

4. DEFERRED REVENUE

Deferred contributions represent unspent resources subject to externally imposed restrictions requiring that funds be used for specific purposes, and comprise the following:

	2023	2022
Balance, beginning of year	**$ 576,006**	$ 151,905
Contributions received in the year	**4,981,684**	686,736
Amounts recognized as revenue	**(2,812,650)**	(262,635)
Balance, end of year	**$ 2,745,040**	$ 576,006

5. DEFERRED CAPITAL CONTRIBUTIONS

Assistance received for the construction of new building are recorded as deferred capital contributions and amortized to income at the same rate as that building is being amortized.

	2023	2022
Balance, beginning of year	**$ -**	$ -
Contributions received in the year	**500,000**	-
Amounts recognized as revenue	**(5,000)**	-
Balance, end of year	**$ 495,000**	$ -

6. LOAN PAYABLE

This loan payable of $150,000 is due to a director of the Centre who by virtue of his position has the ability to exert influence. The loan is measured at the exchange amount, unsecured, non-interest bearing, and have no set repayment terms.

7. MORTGAGE PAYABLE

	2023	2022
Servus Credit Union mortgage bearing interest at 6.2% per annum. The first twelve months of the term are interest only payments and then repayable in monthly blended payments of $48,079. This mortgage is amortized over 30 year period with the initial term maturing on November 15, 2028	**$ 7,850,000**	$ -
Amounts payable within one year	**-**	-
	$ 7,850,000	$ -

Principal repayment terms are approximately:

2024	$ 7,521
2025	93,337
2026	99,291
2027	105,625
2028	112,363
Thereafter	7,431,863
	$ 7,850,000

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Assistance received for the construction of new building are recorded as deferred capital contributions and amortized to income at the same rate as that building is being amortized.

	2023	2022
Balance, beginning of year	**$ -**	$ -
Contributions received in the year	**500,000**	-
Amounts recognized as revenue	**(5,000)**	-
Balance, end of year	**$ 495,000**	$ -

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This loan payable of $150,000 is due to a director of the Centre who by virtue of his position has the ability to exert influence. The loan is measured at the exchange amount, unsecured, non-interest bearing, and have no set repayment terms.

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Amounts payable within one year	**-**	-
	$ 7,850,000	$ -

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2024	$ 7,521
2025	93,337
2026	99,291
2027	105,625
2028	112,363
Thereafter	7,431,863
	$ 7,850,000

8. ALBERTA HEALTH SERVICES ADDICTION AND MENTAL HEALTH FUNDING

In 2020, the Centre entered into a three-year funding agreement with Alberta Health Services (AHS) for Residential Addiction Treatment Activities (RATA). The agreement provides for fixed funding for up to 30 patients at any given time, and use of the funds is restricted for the purpose of providing residential addiction treatment services to support clients and community in addressing substance abuse and process addiction related issues. The Centre is required to meet certain interim reporting requirements in order to continue to receive this funding for the duration of the contract.

In 2021, the Centre merged with Lethbridge & Community Addictions Treatment Society (LCATS) which brought on a pre-existing two-year contract with AHS. AHS provides for fixed funding for up to 23 patients at any given time.

RATA funding received by the Centre in the current fiscal year totaled $2,790,413 (2022 - $2,464,853), which is included as revenue recognized in the Operating Fund. The contract for the 2023 and 2022 funding cycle ends in March 2026 and June 2025 respectively. AHS has the option to further extend the funding agreement for up to three additional years.

9. GOVERNMENT OF ALBERTA GRANT FOR LETHBRIDGE RECOVERY COMMUNITY OPERATIONS

In 2023, the Centre received a grant from Government of Alberta for a total of $4,466,595 intended to provide funding for the operations of the Lethbridge Recovery Community Operations. As at the end of the fiscal year 2023, the Centre incurred expenditures of $1,995,525. The unspent amounts are included in deferred revenue (Note 4). The agreement is for a three-year term ending on January 31, 2026 with total funding of $10,607,921.

10. CAPITAL GRANT - LAND PURCHASE

A capital grant in amount of $4,000,000 was received from Alberta Social Housing Corporation. This grant was for construction of 37 mixed-income housing development in the City of Calgary, of which 30 housing units will be designated as Affordable Housing. The total funding received was spent on the purchase of the land for the building construction, which as per ASNPO guidance on capital contirbutions on non-depreciable assets requires its recognition in net assets.

11. TRANSFER OF PROPERTY AND EQUIPMENT TO THE PROVINCE OF ALBERTA

In 2017 the Government of Alberta moved from a grant to an investment funding strategy, and as a result ownership of the Centre's two residential properties was transferred in 2019. The Centre has agreed to operate the properties under an initial 25 year lease agreement for consideration of $1 per year. The Centre will have the option to renew the lease for up to two consecutive renewal terms of ten years each and remains responsible for all associated operational activities.