

**ROWAN HOUSE
SOCIETY**

**YEAR ENDED
MARCH 31, 2017**



July 6, 2017

Rowan House Society
PO Box 5121
High River, AB T1V 1M3

Attention: Sherrie Botten

Dear Sherrie:

The following enclosures represent year end documents for **Rowan House Society** (the "Society") as at March 31, 2017.

- Financial statements
- Trial balance and adjusting journal entries
- Federal T3010 Charity return
- Engagement letter

Documents to Sign and Return

We require the following documents to be signed by management for retention in our files. Please review the below documents, sign where indicated and return them in the enclosed envelope.

- Financial statements
- Adjusting journal entries
- Management representation letter
- Engagement letter

Tax Returns and Filing Requirements

The Federal and Provincial Income Tax Returns have been prepared on the Society's behalf from the information made available to us. We have taken care in preparing these returns to ensure they are accurate. However, the responsibility for filing "true, correct and complete" returns on or before the due date rests under the law with the taxpayer, against whom any liability or penalty for failure to file proper returns will be assessed. It is, therefore, important for you to review these returns with care to ensure they are true, correct and complete.

Please sign the Federal Income Tax Return and keying summary (marked "Tax Dept") where indicated and file as soon as possible. An addressed envelope is enclosed for your convenience.

Other

- We remind you that minute books and other statutory filings should be maintained on a current basis and the Society's solicitor should be contacted to ensure that the Society has complied with all legal requirements.

Rowan House Society
July 6, 2017
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- We enclose one copy of our invoice. Accounts are due when rendered. Accounts unpaid within 30 days will be subject to service charges at the Royal Bank of Canada prime rate plus 1% per annum.

Other Taxation Reminders

- Tax laws require that mileage documentation be maintained for all vehicles for which the Society is claiming an income tax deduction. To support the deductions made, we recommend that mileage logbooks be used to document business mileage.

If you require any further information with regard to the enclosed, please advise us.

Yours very truly,



Paige T. Shaw, CA
Partner
Catalyst LLP
Assurance & Accounting

PTS/dwe

Encls.

ROWAN HOUSE SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2017

ROWAN HOUSE SOCIETY
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INDEPENDENT AUDITOR'S REPORT

**To: The Members of
Rowan House Society**

Report on the Financial Statements

We have audited the accompanying financial statements of Rowan House Society, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, 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 Society'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 Society'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.

INDEPENDENT AUDITOR'S REPORT, continued

Basis for Qualified Opinion

As is common with many not-for-profit organizations, the Society derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and related expenditures was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments for unrecorded revenue might be necessary to revenues, excess of revenue over expenditures, assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Rowan House Society as at March 31, 2017 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
JUNE 19, 2017**

Catalyst LLP

**CHARTERED PROFESSIONAL
ACCOUNTANTS**

ROWAN HOUSE SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Assets		
Current		
Cash (Note 3)	\$ 79,589	\$ 325,985
Accounts receivable	-	6,474
Prepaid expenditures	34,577	37,870
Goods and services tax receivable	3,087	3,357
	<u>117,253</u>	<u>373,686</u>
Investments (Note 4)	1,033,641	957,413
Capital assets (Note 5)	<u>1,143,627</u>	<u>1,180,717</u>
	<u>\$ 2,294,521</u>	<u>\$ 2,511,816</u>
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	\$ 25,338	\$ 28,477
Salaries payable	-	42,656
Deferred contributions (Note 6)	92,168	171,695
	<u>117,506</u>	<u>242,828</u>
Long-term deferred contributions (Note 7)	<u>636,345</u>	<u>667,387</u>
	753,851	910,215
Net assets (Note 8)	<u>1,540,670</u>	<u>1,601,601</u>
	<u>\$ 2,294,521</u>	<u>\$ 2,511,816</u>

Approved on behalf of the Board

 Member



ROWAN HOUSE SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Revenues (Schedule 1)	\$ 2,018,986	\$ 1,831,358
Expenditures (Schedule 1)	<u>2,098,469</u>	<u>1,832,581</u>
Deficiency of revenues over expenditures from operations	<u>(79,483)</u>	<u>(1,223)</u>
Other income (expenditure)		
Unrealized gain (loss) on investments	18,476	(12,062)
Gain on sale of investments	<u>76</u>	<u>-</u>
	<u>18,552</u>	<u>(12,062)</u>
Deficiency of revenues over expenditures for the year	<u>\$ (60,931)</u>	<u>\$ (13,285)</u>

The accompanying notes are an integral part of the financial statements

ROWAN HOUSE SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	General Operating Fund	Restricted fund	Total 2017	Total 2016
Balance, beginning of year	\$ 1,505,083	\$ -	\$ 1,601,601	\$ 1,614,886
Excess (deficiency) of revenues over expenditures for the year	93,704	(154,635)	(60,931)	(13,285)
Interfund transfers (Note 11)	(179,815)	179,815	-	-
Balance, end of year	<u>\$ 1,418,972</u>	<u>\$ 25,180</u>	<u>\$ 1,540,670</u>	<u>\$ 1,601,601</u>

The accompanying notes are an integral part of the financial statements

ROWAN HOUSE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Deficiency of revenues over expenditures for the year	\$ (60,931)	\$ (13,285)
Adjustments for		
Amortization	55,720	61,238
Gain on sale of investments	(76)	-
Unrealized gain (loss) on investments	(18,476)	12,062
Amortization of long-term deferred contributions	(31,041)	(31,041)
	<u>(54,804)</u>	<u>28,974</u>
Change in non-cash working capital items		
Accounts receivable	6,474	(6,474)
Prepaid expenditures	3,293	9,555
Goods and services tax	270	298
Accounts payable and accrued liabilities	(3,139)	(240)
Salaries payable	(42,656)	13,954
Deferred contributions	(79,527)	58,871
	<u>(170,089)</u>	<u>104,938</u>
Cash flows from investing activities		
Purchase of marketable securities	-	(12,062)
Purchase of investments	(57,676)	(24,488)
Purchase of capital assets	(18,631)	(7,116)
	<u>(76,307)</u>	<u>(43,666)</u>
Increase (decrease) in cash	(246,396)	61,272
Cash, beginning of year	<u>325,985</u>	<u>264,713</u>
Cash, end of year	<u>\$ 79,589</u>	<u>\$ 325,985</u>

The accompanying notes are an integral part of the financial statements

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

1. Purpose and nature of the Society

Rowan House Society (the "Society") was incorporated December 5, 1996 under the Society Act of Alberta as a not-for-profit organization, and therefore the operations of the Society are exempt from income pursuant to S.149(1)(i) of the Income Tax Act. Therefore, no provision for income taxes is recorded in the financial statements.

2. Significant accounting policies

These statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) Fund accounting

The Society maintains an operating fund and a restricted fund in accounting for its activities. All operating revenues and expenditures are recorded in the operating fund with appropriations between funds being authorized by the Society's Board of Directors.

The restricted fund consists of revenues and expenditures externally restricted, the income from which must be used for the implementation and operation of the Society's respective programs.

(b) Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets, and long-term deferred contributions. Actual results may differ from management's best estimates as additional information becomes available in the future.

(c) Cash

Cash and cheques written in excess of deposits is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the report date.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

2. Significant accounting policies, continued

(d) Financial instruments

(i) Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in other income.

Financial assets measured at amortized cost include cash, term deposit, and savings account.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include mutual funds.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

(iii) Transaction costs

The Society recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(e) Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. The Society provides for amortization using the straight-line method over the estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Building	25 years
Equipment	4 years
Furniture and fixtures	3 years
Computer equipment	4 years

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

2. Significant accounting policies, continued

(f) Impairment of long-lived assets

The Society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(g) Revenue recognition

The Society follows the restricted fund method of accounting for contributions. Restricted contributions related to general operations are recognized as revenue of the operating fund in the year in which the related expenditure occurs.

Unrestricted contributions are recognized as revenue in the operating fund in the year received or when the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions not related to the general fund are recognized in the restricted fund in the year the related courses or programs are delivered.

Contributions restricted to the purchase of capital assets and contributions of capital assets are deferred and amortized into revenue at a rate corresponding to the amortization of the related capital assets.

Contributions related to ticket sales and donation revenue for events taking place after the Society's year end are deferred until the event has occurred.

Investment income is recognized when earned.

(h) Expenditures

The Society classifies its expenditures by function. Expenditures have not been allocated on a pro rata basis to functions, but rather expenditures are allocated to each specific function based on its nature and type.

(i) Contributed materials and services

The Society is dependent on, and thankful for, the voluntary services of many individuals and organizations. Because of the difficulty in determining their fair value, contributed volunteer services are not recognized in these financial statements. Contributed materials are only recorded in the financial statements to the extent that fair value is reasonably determinable.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

3. Cash

	2017	2016
Savings account	\$ 44,698	\$ 267,986
Cash	34,891	57,999
	\$ 79,589	\$ 325,985

The savings account has an annual interest rate of 1.2% (2016 - 1.2%) with no set term of maturity.

4. Investments

The Society holds the following investments in savings account, term deposits, and mutual funds for long term use.

	2017	2016
Strategic Investment Fund	\$ 555,387	\$ 523,359
Term deposit	313,446	308,034
ATB Investment Reserve Fund	164,808	126,020
	\$ 1,033,641	\$ 957,413

The Strategic Investment Fund account has been internally restricted to ensure that the Society has the ability to accumulate funding to meet its strategic objectives as determined by the board, including the current housing expansion program, and to be fiscally responsible in the management of these funds.

The term deposit has an annual interest rate of 1.4% with a maturity date of May 2017. The account has been internally restricted as a Business Interruption Fund to protect the Society's ability to operate under difficult times. The Society will invest funds in GICs or similar capital-protected accounts to ensure that sufficient funds are kept available to protect the Society against an interruption or disruption of funding.

The ATB Investment Reserve Fund has an annual interest rate of 1.2% (2016 - 1.2%) and is intended to be used for long term projects. The account is a building reserve fund that has been internally restricted to be used for building repairs at the shelter.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

5. **Capital assets**

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building	\$ 1,100,767	\$ 195,361	\$ 905,406	\$ 935,803
Land	185,621	-	185,621	185,621
Equipment	45,440	23,398	22,042	21,361
Furniture and fixtures	70,958	55,113	15,845	22,110
Computer equipment	46,509	31,796	14,713	15,822
	<u>\$ 1,449,295</u>	<u>\$ 305,668</u>	<u>\$ 1,143,627</u>	<u>\$ 1,180,717</u>

6. **Deferred contributions**

	<u>2017</u>		<u>2016</u>	
Gala ticket sales	\$ 58,540	\$ 28,410		
Preventative Education Program	31,800	92,000		
Transitional Housing Program	1,828	25,000		
Casino Funds	-	26,285		
	<u>\$ 92,168</u>	<u>\$ 171,695</u>		

7. **Long-term deferred contributions**

	<u>2017</u>		<u>2016</u>	
Opening balance	\$ 667,387	\$ 698,428		
Amortization of contributions	(31,042)	(31,041)		
	<u>\$ 636,345</u>	<u>\$ 667,387</u>		

The deferred contributions consist of accumulated funds received for Rowan House Emergency Shelter. The new facility opened in July of 2012, and the deferred contributions are currently being brought into operations over 25 years, which is the expected useful life of the building.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

8. Net assets

The Society receives funding from Alberta Human Services ("AHS") and from various other local municipalities. The use of these funds is restricted to expenditures specified by the funding authorities. Any unexpended funds from AHS must be transferred into Surplus Retention Reserve and, with the approval of the funders, be expended in subsequent years for the purposes authorized. Any unexpended funds from all grants must be returned to the respective funding agency upon request.

The Society's current year net operating deficit of \$60,931 (2016 - deficit of \$13,285) is unrestricted.

9. Financial instruments

The Society is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Company's exposure to these risks.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. The Society is exposed to this risk mainly in respect to its investment in mutual funds.

(b) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its fixed rate financial instruments.

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

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

10. Additional information to comply with the Charitable Foundation Act and Regulations

Gross contributions received (excluding donations not yet cleared) were \$1,960,614 (2016 - \$1,767,208).

Gross contributions received were used in accordance with the internal and external restrictions imposed by the donor's request and the Society's disbursement policies. Undesignated donations are allocated for use by the Board of Directors of the Society.

All expenditures incurred, direct and indirectly, for the purpose of soliciting contributions were \$27,136 (2016 - \$33,159). No remuneration was paid for fundraising activities.

11. Economic dependence

The Society receives the majority of its revenue through a funding agreement from the Government of Alberta. The Society's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

12. Interfund transfers

The Society transferred donation revenues of \$179,815 (2016 - \$119,048) from the General fund to the Restricted fund during the year.

ROWAN HOUSE SOCIETY
 SCHEDULE OF OPERATIONS BY FUND
 MARCH 31, 2017

Schedule 1

REVENUE	Operating Fund	Restricted Fund	2017	2016
Government of Alberta (Note 11)				
Donations	224,281	\$ 1,306,581	\$ 1,306,581	\$ 1,231,993
Community Programming	220,250	-	224,281	166,196
Fundraising	133,676	-	220,250	97,550
Casino/gaming	34,243	-	133,676	174,198
Capital campaign (Note 7)	31,041	-	34,243	33,053
Grants	25,566	-	31,041	31,041
Dividend income	18,450	-	25,566	52,899
Housing recovery	15,276	-	18,450	15,253
Interest income	9,622	-	15,276	22,405
	712,405	1,306,581	2,018,966	1,831,358

EXPENDITURES				
Salaries	198,129	1,064,821	1,282,950	1,159,371
Employee benefits	3,350	148,375	151,725	115,380
Community Programming	135,028	-	135,028	83,154
Transitional housing operations	86,034	-	86,034	71,385
Direct client costs	5,824	42,287	48,121	55,840
Training	5,769	35,279	41,048	37,411
Office	32,118	7,008	39,126	23,975
Innovative Child Care Funding	-	37,417	37,417	37,315
Repairs and maintenance	-	30,024	30,024	24,097
Travel and subsistence	20,535	9,235	29,770	16,971
Fundraising	27,136	-	27,136	33,159
Telephone	972	-	26,918	18,502
Advertising and promotion	26,124	-	26,124	22,628
Utilities	6,087	-	24,054	23,202
Insurance	2,058	17,957	18,966	16,594
Supplies	-	16,908	12,875	10,745
Accounting and legal	-	12,875	11,525	10,750
Memberships	-	11,525	5,024	3,811
Investment management fees	4,195	-	4,195	3,776
Interest and bank charges	5	1,320	1,325	1,673
Equipment rent	2,988	375	3,363	1,504
Amortization	55,720	-	55,720	61,238
	612,072	1,486,396	2,096,468	1,832,581
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	100,333	(179,815)	(79,482)	(1,223)
OTHER INCOME (EXPENDITURES)				
Unrealized gain (loss) on investments	18,476	-	18,476	-12,062
Gain (loss) on disposal of investments	76	-	76	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FOR THE YEAR	\$ 118,865	\$ (179,815)	\$ (60,930)	\$ (13,285)