

ROWAN HOUSE SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2020

ROWAN HOUSE SOCIETY
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INDEPENDENT AUDITOR'S REPORT

To the Members of Rowan House Society

Opinion

We have audited the financial statements of Rowan House Society (the "Society") , which comprise the statement of financial position as at March 31, 2020, and the statement of operations, statement of changes in net assets and statement of 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 Society as at March 31, 2020, and its financial performance and its 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 Society in accordance with the 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.

Emphasis of Matter

We draw your attention to Note 13 in the financial statements. Note 13 discusses the World Health Organization declaring the coronavirus a global pandemic, which may materially affect the Society.

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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT, continued

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. 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 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 Society'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 Society'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 Society 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
JUNE 25, 2020

CHARTERED PROFESSIONAL
ACCOUNTANTS

ROWAN HOUSE SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020

	2020	2019
Assets		
Current		
Cash	\$ 447,828	\$ 85,768
Internally restricted cash	-	35,000
Goods and services tax receivable	7,112	3,474
Prepaid expenditures	21,071	22,114
	476,011	146,356
Investments (Note 4)	842,258	1,025,429
Capital assets (Note 5)	1,066,099	1,056,500
	\$ 2,384,368	\$ 2,228,285

Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 55,166	\$ 53,831
Salaries payable	31,801	-
Deferred contributions (Note 6)	96,450	104,563
	183,417	158,394
Long-term deferred contributions (Note 7)	543,222	574,263
	726,639	732,657
Net assets (Note 8)	1,657,729	1,495,628
	\$ 2,384,368	\$ 2,228,285

Impact of COVID-19 pandemic (Note 13)

Approved on behalf of the board

 Director

 COO

ROWAN HOUSE SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2020

	Operating Fund	Restricted Fund	2020	2019
REVENUE				
Government of Alberta (Note 11)	\$ -	\$ 1,306,581	\$ 1,306,581	\$ 1,306,581
Donations	271,545	-	271,545	238,027
Community programming	152,352	-	152,352	185,873
Fundraising	134,491	-	134,491	186,732
Safe at Home income	84,385	-	84,385	-
Grants	48,044	-	48,044	56,636
Gaming income	30,084	-	30,084	29,146
Capital campaign (Note 7)	31,041	-	31,041	31,041
Dividend income	18,825	-	18,825	24,227
Interest income	15,676	-	15,676	11,602
Housing recovery	1,820	-	1,820	1,475
	<u>788,263</u>	<u>1,306,581</u>	<u>2,094,844</u>	<u>2,071,340</u>
EXPENDITURES				
Salaries	165,140	1,002,207	1,167,347	1,372,224
Employee benefits	9,709	125,009	134,718	153,534
Community programming	92,756	-	92,756	110,275
Transitional housing operations	74,285	-	74,285	34,150
Office	52,616	14,561	67,178	58,428
Direct client costs	7,552	49,806	57,358	67,907
Telephone	2,394	36,952	39,346	36,518
Child care programming	-	37,367	37,367	37,573
Accounting and legal	23,831	12,473	36,305	11,316
Travel and subsistence	27,088	2,467	29,555	28,312
Repairs and maintenance	-	27,245	27,245	22,370
Utilities	6,547	20,559	27,106	20,396
Fundraising (Note 10)	25,987	-	25,987	32,571
Insurance	1,882	20,555	22,437	20,569
Training	4,714	16,280	20,994	24,575
Advertising and promotion	14,222	-	14,222	11,547
Supplies	-	13,694	13,694	9,630
Investment management fees	5,643	-	5,643	4,516
Consulting fees	4,368	-	4,368	66,008
Equipment rent	3,987	-	3,987	2,680
Memberships	-	1,964	1,964	3,756
Interest and bank charges	2	147	147	100
Amortization	49,540	-	49,540	46,622
	<u>572,263</u>	<u>1,381,286</u>	<u>1,953,549</u>	<u>2,175,577</u>
EXCESS (DEFICIENCIES) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	<u>216,000</u>	<u>(74,705)</u>	<u>141,295</u>	<u>(104,237)</u>
OTHER INCOME				
Gain on sale of investments	20,806	-	20,806	86
Unrealized gain on investments	-	-	-	6,454
EXCESS (DEFICIENCIES) OF REVENUES OVER EXPENDITURES FOR THE YEAR	<u>\$ 236,806</u>	<u>\$ (74,705)</u>	<u>\$ 162,101</u>	<u>\$ (97,897)</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, 2020

	Operating Fund	Restricted Fund	Total 2020	Total 2019
Balance, beginning of year	\$ 1,495,628	\$ -	\$ 1,495,628	\$ 1,593,325
Excess (deficiencies) of revenue over expenditures	236,806	(74,705)	162,101	(97,697)
Interfund transfers (Note 12)	(74,705)	74,705	-	-
Balance, ending of year	\$ 1,657,729	\$ -	\$ 1,657,729	\$ 1,495,628

The accompanying notes are an integral part of the financial statements

ROWAN HOUSE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures	\$ 162,101	\$ (97,697)
Adjustments for		
Amortization	49,540	46,622
Unrealized gain on investments	-	(6,454)
Gain on sale of investments	(20,806)	(86)
Amortization of long-term deferred contributions	(31,041)	(31,041)
Donation of shares	-	(18,812)
	<u>159,794</u>	<u>(107,468)</u>
Change in non-cash working capital items		
Prepaid expenditures	1,043	7,907
Accounts payable and accrued liabilities	1,334	22,398
Goods and services tax receivable	(3,638)	594
Salaries payable	31,801	-
Deferred contributions	(8,113)	(55,309)
	<u>182,221</u>	<u>(131,878)</u>
Cash flows from investing activities		
Purchase of investments	(642,595)	(358,932)
Proceeds on sale of investments	846,570	453,940
Purchase of capital assets	(59,136)	(4,999)
	144,839	90,009
Increase (decrease) in cash	327,060	(41,869)
Cash, beginning of year	<u>120,768</u>	<u>162,637</u>
Cash, end of year	<u>\$ 447,828</u>	<u>\$ 120,768</u>
Cash consists of:		
Cash	\$ 447,828	\$ 85,768
Internally restricted cash	-	35,000
	<u>\$ 447,828</u>	<u>\$ 120,768</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, 2020

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. 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. Change in accounting policy

Section 4433 - Tangible Capital Assets Held by Not-for-Profit Organizations

In March 2018, the Accounting Standards Board (AcSB) introduced Section 4433 to increase consistency in the recognition, measurement, and disclosure of collections and capital assets by not-for-profit organizations. The new standard is effective for periods beginning on or after January 1, 2019.

These changes had no impact on the Society's financial statements.

3. Significant accounting policies

The Society follows Canadian accounting standards for not-for-profit organizations in preparing its financial statements. The significant accounting policies used 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) 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 year-end.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

3. Significant accounting policies, continued

(c) 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 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 excess (deficiency) of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash and investments.

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

The Society has not designated any financial asset or financial liability to be measured at fair value.

(ii) Impairment

Financial assets measured at amortized 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.

(d) Measurement uncertainty

The preparation of financial statements in accordance with 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 amortization of long-term deferred contributions. Actual results may differ from management's best estimates as additional information becomes available in the future.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

3. Significant accounting policies, continued

(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:

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

(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.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

3. Significant accounting policies, continued

(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 operating 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, 2020

4. Investments

The Society holds the following investments in term deposits and GICs for long-term use.

	2020	2019
Strategic Investment Fund	\$ 592,388	\$ 593,019
Capital Asset Replacement Reserve Fund	239,870	204,870
Non-redeemable GIC	10,000	10,000
Business Interruption Fund	-	217,540
	\$ 842,258	\$ 1,025,429

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 Capital Asset Replacement Reserve Fund has an annual interest rate of 1.55% and is intended to be used for long-term projects. The account is a reserve fund that has been internally restricted to be used for building and equipment replacement and refurbishment at the shelter.

The non-redeemable GIC has an annual interest rate of 3.05% with a maturity date of November 2021.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

5. **Capital assets**

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Buildings	\$ 1,105,767	\$ 300,017	\$ 805,750	\$ 839,322
Land	185,621	-	185,621	185,621
Equipment	93,387	42,135	51,252	12,399
Computer equipment	61,296	44,157	17,139	11,715
Furniture and fixtures	73,313	66,976	6,337	7,443
	<u>\$ 1,519,384</u>	<u>\$ 453,285</u>	<u>\$ 1,066,099</u>	<u>\$ 1,056,500</u>

6. **Deferred contributions**

	2020	2019
Preventative Education Program	\$ 41,613	\$ 21,000
Deferred donations	34,000	-
Safe at Home Program	14,563	-
Casino funds	4,354	26,948
Gala ticket sales	1,920	42,450
Miscellaneous grants	-	2,300
Gala gaming funds	-	1,865
Transitional Housing Program	-	10,000
	<u>\$ 96,450</u>	<u>\$ 104,563</u>

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

7. Long-term deferred contributions

	2020	2019
Opening balance	\$ 574,263	\$ 605,304
Amortization of contributions	(31,041)	(31,041)
	\$ 543,222	\$ 574,263

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.

8. Net assets

The Society receives funding from the Government of Alberta and from various other local municipalities. The use of these funds is restricted to expenditures specified by the funding authorities. Any unexpended funds from the Government of Alberta 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 surplus of \$162,101 (2019 - deficit of \$97,697) is unrestricted.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

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 Society's exposure to these risks.

(a) 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, and salaries payable.

(b) 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.

(c) Other price risk

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

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

Gross contributions received (excluding donations not yet cleared) were \$2,099,844 (2019 - \$2,053,731).

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, directly and indirectly, for the purpose of soliciting contributions were \$25,987 (2019 - \$32,571). 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.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

12. Interfund transfers

The Society transferred donation revenues of \$74,705 (2019 - \$153,539) from the Operating Fund to the Restricted Fund during the year.

13. Impact of COVID-19 pandemic

In January 2020, the World Health Organization declared the COVID-19 outbreak to be a "Public Health Emergency of International Concern". As the outbreak spread to Canada, national and provincial governments imposed measures resulting in disruption to day-to-day activities of both individuals and businesses. In March 2020, the Province of Alberta declared a state of public emergency in response to the COVID-19 outbreak. As a result, several measures have been imposed to slow the spread of the virus including the implementation of travel bans, restrictions on gatherings, and mandated social distancing.

In March 2020, in light of the uncertain and rapidly-evolving situation relating to the spread of the COVID-19 virus, the Society took precautionary measures to minimize the risk of the virus to its clients, its employees and the communities in which it operates. These measures include the cancellation of the spring gala event, the move to an essential-staff-only structure in the shelter itself, and a move to virtual fundraising and meeting events. These measures could negatively impact the Society's operations, and as a result the applications for applicable relief funding have been made. Certain mitigating measures have also been implemented by the Society as follows:

- Programs have been moved to online platforms
- Direct client interactions have been adjusted to incorporate the ability to text, video chat, and socially distance
- Maximum shelter capacity has been reduced to enforce physical distancing

Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. The extent of the impact of COVID-19 on the Society's operational and financial results will depend on the duration and spread of the outbreak, the impact on supporters of the Society, and the efficacy of government assistance programs for charities impacted by COVID-19, all of which remain uncertain. As a result, the financial impact of the COVID-19 pandemic cannot be reasonably estimated at this time.