

# **Discovery House Family Violence Prevention Society**

Financial Statements  
**March 31, 2018**



June 18, 2018

## **Independent Auditor's Report**

### **To the Members of Discovery House Family Violence Prevention Society**

We have audited the accompanying financial statements of Discovery House Family Violence Prevention Society, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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 audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Discovery House Family Violence Prevention Society as at March 31, 2018 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.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants**

# Discovery House Family Violence Prevention Society

## Statement of Financial Position

As at March 31, 2018

	Operating Fund \$	Bursary Fund \$	Building Fund \$	2018 \$	2017 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	1,418,561	-	422,267	1,840,828	1,971,035
Short-term investments (note 3)	-	592,037	704,686	1,296,723	2,322,184
Accounts receivable	52,348	-	-	52,348	22,954
Goods and services tax recoverable	12,353	-	-	12,353	9,597
Prepaid expenses	81,909	424	-	82,333	93,287
Interfund balances	36,996	-	(36,996)	-	-
	1,602,167	592,461	1,089,957	3,284,585	4,419,057
<b>Long-term investments</b> (note 4)	-	580,892	477,253	1,058,145	285,667
<b>Capital assets</b> (note 5)	49,747	-	3,306,180	3,355,927	3,421,780
	1,651,914	1,173,353	4,873,390	7,698,657	8,126,504
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accruals (note 17)	218,823	-	-	218,823	190,071
Security deposits (note 6)	10,680	-	-	10,680	8,195
Unearned revenue (note 7)	9,922	-	-	9,922	7,598
	239,425	-	-	239,425	205,864
<b>Deferred contributions</b> (note 8)					
Related to operations	292,812	23,353	130,476	446,641	609,809
Related to capital assets	21,328	-	3,162,344	3,183,672	3,116,742
	314,140	23,353	3,292,820	3,630,313	3,726,551
<b>Fund balances</b>					
Invested in capital assets	5,386	-	268,612	273,998	285,348
Endowment (note 10)	-	1,150,000	-	1,150,000	1,150,000
Internally restricted (notes 9 and 11)	1,500,000	-	1,000,000	2,500,000	2,500,000
Unrestricted	(407,037)	-	311,958	(95,079)	258,741
	1,098,349	1,150,000	1,580,570	3,828,919	4,194,089
	1,651,914	1,173,353	4,873,390	7,698,657	8,126,504
<b>Commitments and contingencies</b> (notes 14 and 15)					

### Approved by the Board of Directors

 Director
  Director

The accompanying notes are an integral part of these financial statements.

# Discovery House Family Violence Prevention Society

## Statement of Operations

For the year ended March 31, 2018

	Operating Fund \$	Bursary Fund \$	Building Fund \$	2018 \$	2017 \$
<b>Revenue</b>					
Grants (note 12)	3,050,344	-	-	3,050,344	3,187,336
Donations	618,553	-	-	618,553	716,058
Amortization of deferred contributions	1,027	-	159,640	160,667	165,557
Facility	130,057	-	-	130,057	137,893
Special events	96,901	-	-	96,901	55,371
Gaming	73,041	-	-	73,041	69,736
Interest	8,699	-	22,732	31,431	34,904
Bursary	-	14,168	-	14,168	34,253
Other revenue	8,548	-	-	8,548	86,714
	<u>3,987,170</u>	<u>14,168</u>	<u>182,372</u>	<u>4,183,710</u>	<u>4,487,822</u>
<b>Expenses</b>					
Salaries and benefits	3,218,354	-	-	3,218,354	3,133,540
Direct client	490,693	-	-	490,693	442,676
Facility	371,295	-	-	371,295	409,750
Amortization	10,292	-	161,725	172,017	171,642
Administrative	144,668	-	-	144,668	149,847
Bursary	-	14,168	-	14,168	34,253
Professional fees	30,426	-	-	30,426	81,955
Strategic planning	20,709	-	-	20,709	64,140
Fundraising and community development	86,550	-	-	86,550	71,153
	<u>4,372,987</u>	<u>14,168</u>	<u>161,725</u>	<u>4,548,880</u>	<u>4,558,956</u>
<b>(Deficiency) excess of revenue over expenses for the year</b>	<u>(385,817)</u>	<u>-</u>	<u>20,647</u>	<u>(365,170)</u>	<u>(71,134)</u>

The accompanying notes are an integral part of these financial statements.

# Discovery House Family Violence Prevention Society

## Statement of Changes in Fund Balances

For the year ended March 31, 2018

							2018	2017
	Operating Fund			Bursary Fund	Building Fund			
	Invested in capital assets \$	Internally restricted \$ (note 9)	Unrestricted \$	\$ (note 10)	Invested in capital assets \$	Internally restricted \$ (note 11)	Unrestricted \$	Total \$
<b>Balance – Beginning of year</b>	14,651	1,500,000	(30,485)	1,150,000	270,697	1,000,000	289,226	4,194,089
(Deficiency) excess of revenue over expenses for the year	(9,265)	-	(376,552)	-	(2,085)	-	22,732	(365,170)
<b>Balance – End of year</b>	5,386	1,500,000	(407,037)	1,150,000	268,612	1,000,000	311,958	3,828,919

The accompanying notes are an integral part of these financial statements.

# Discovery House Family Violence Prevention Society

## Statement of Cash Flows

For the year ended March 31, 2018

	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenses for the year		
Operating Fund	(385,817)	(99,317)
Building Fund	20,647	28,183
	(365,170)	(71,134)
Items not affecting cash		
Amortization	172,017	171,642
Amortization of deferred contributions	(160,667)	(165,557)
	(353,820)	(65,049)
Changes in non-cash working capital		
Accounts receivable	(29,394)	(18,324)
Goods and services tax recoverable	(2,756)	4,867
Prepaid expenses	10,954	(27,834)
Accounts payable and accruals	28,752	(53,334)
Security deposits	2,485	(2,725)
Unearned revenue	2,324	1,439
Deferred contributions related to operations	(164,443)	169,557
Deferred contributions related to endowment	1,275	21,581
	(504,623)	30,178
<b>Investing activities</b>		
Capital asset purchases	(106,164)	(44,723)
Deferred contributions received related to capital assets	227,597	25,950
Proceeds from redemption of investments	2,630,188	1,223,639
Purchase of investments	(2,377,205)	(1,674,163)
	374,416	(469,297)
<b>Decrease in cash and cash equivalents during the year</b>	(130,207)	(439,119)
<b>Cash and cash equivalents – Beginning of year</b>	1,971,035	2,410,154
<b>Cash and cash equivalents – End of year</b>	1,840,828	1,971,035

The accompanying notes are an integral part of these financial statements.

# Discovery House Family Violence Prevention Society

## Notes to Financial Statements

March 31, 2018

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### 1 Purpose of the organization

Discovery House Family Violence Prevention Society (the "Society") is a not-for-profit organization established under the Societies Act of Alberta. The purpose of the Society is to provide long-term shelter and support services to women and their children who are leaving abusive relationships. The Society is a registered charity under Section 149(1) of the Income Tax Act of Canada, and therefore is exempt from the payment of income taxes.

### 2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Canada Handbook. The Society's significant accounting policies are summarized below:

#### a) Fund accounting

The Operating Fund accounts for the Society's program delivery and administrative activities. This fund reports unrestricted resources and restricted funds related to operations.

The Bursary Fund reports the assets, liabilities, receipts and disbursements related to the endowment and bursaries. This fund reports unrestricted resources and restricted funds related to the endowment agreement.

The Building Fund reports the assets, liabilities, receipts and disbursements related to buildings and related capital assets. This fund reports unrestricted resources and restricted funds related to the building.

#### b) Revenue recognition

The Society follows the deferral method of accounting for contributions.

Restricted contributions related to program delivery and administrative expenses are recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. These funds are grants received from government agencies and independent donors.

Contributions restricted for capital are deferred and amortized to revenue in the building fund on the same basis as the related asset. Contributions related to bursaries are recognized as revenue in the year in which the related expense is incurred in the Bursary 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.



# Discovery House Family Violence Prevention Society

## Notes to Financial Statements

March 31, 2018

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### c) Donations in kind

Donations in kind are recorded at fair market value only when fair market value can be reasonably estimated and when the donated goods or services would otherwise have been purchased by the Society. Volunteers contribute their time each year to assist the Society in achieving its mission. Because of the difficulty of determining the fair value, contributed volunteer services are not recognized in these financial statements. During the year, donations in kind received were valued at \$40,536 (2017 – \$27,816).

### d) Government assistance

The Society receives financial assistance from various government agencies. These grant monies are received and recognized as revenue in the Operating Fund in the year in which the related expenses are incurred. Contributions for capital assets are deferred and amortized to revenue on the same basis as the related capital asset.

The assistance provided is based on approved annual operating budgets prepared by management and submitted to various funding agencies. In any year that the Society has revenue in excess of expenses for the programs funded, the Society may be required to refund the excess to the government agencies.

### e) Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less and that are subject to an insignificant risk of change in value.

### f) Goods and services tax

Goods and services tax is recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

### g) Capital assets

Capital assets are recorded at cost. Amortization is calculated using the following rates and methods:

Buildings	5%	Declining balance
Furniture, fixtures and equipment	20%	Declining balance
Telephone system	20%	Declining balance

The Society performs impairment testing on capital assets whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Any impairment loss is measured as the amount by which the carrying value exceeds the fair value and is charged to earnings.

# Discovery House Family Violence Prevention Society

## Notes to Financial Statements

March 31, 2018

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### h) Financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and mutual funds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized as unrealized gains or losses in the statement of operations.

The financial assets measured at amortized cost include cash and cash equivalents, investments and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accruals.

### i) Use of estimates

The preparation of the Society's financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

## 3 Short-term investments

	2018			2017
	Bursary Fund \$	Building Fund \$	Total \$	Total \$
Guaranteed Investment Certificates (GICs) maturing between May 15, 2017 and March 26, 2018, bearing interest ranging from 0.66% to 2.7% per annum	-	-	-	1,423,874
GICs maturing between June 21, 2017 and September 13, 2017, bearing interest ranging from 0.66% to 2.7% per annum	-	-	-	898,310
GICs maturing between October 1, 2018 and October 31, 2018, bearing interest ranging from 1.5% to 1.7% per annum	592,037	-	592,037	-
GICs maturing between April 30, 2018 and October 31, 2018, bearing interest ranging from 1.55% to 1.7% per annum	-	704,686	704,686	-
	592,037	704,686	1,296,723	2,322,184

# Discovery House Family Violence Prevention Society

## Notes to Financial Statements

March 31, 2018

### 4 Long-term investments

	2018		2017
	Bursary Fund \$	Building Fund \$	Total \$
GIC maturing October 1, 2018, bearing interest at 1.5% per annum	-	-	285,667
GIC maturing October 31, 2019, bearing interest at 1.88% per annum	580,892	124,538	-
GIC maturing October 31, 2018, bearing interest at 1.88% per annum	-	352,715	-
	580,892	477,253	285,667

### 5 Capital assets

	2018		2017
	Cost \$	Accumulated amortization \$	Net \$
<b>Operating Fund</b>			
Furniture, fixtures and equipment	584,370	536,173	33,608
Telephone system	15,679	14,129	2,320
	600,049	550,302	35,928
<b>Building Fund</b>			
Land	270,000	-	270,000
Buildings	5,928,979	2,924,169	3,103,945
Furniture, fixtures and equipment	197,326	165,956	11,907
	6,396,305	3,090,125	3,385,852
	6,996,354	3,640,427	3,421,780

# Discovery House Family Violence Prevention Society

## Notes to Financial Statements

March 31, 2018

### 6 Security deposits

These amounts relate to security deposits received from clients.

### 7 Unearned revenue

These amounts relate to loaded gift cards from various vendors.

### 8 Deferred contributions

#### a) Related to operations

Deferred contributions reported relate to funding received in the current period for future period operations.

	2018			2017
	Operating Fund \$	Bursary Fund \$	Building Fund \$	Total \$
<b>Balance – Beginning of year</b>	477,188	22,078	110,543	609,809
Amount added during the year	2,919,729	15,443	20,000	2,955,172
Amount utilized during the year	(3,104,105)	(14,168)	(67)	(3,118,340)
<b>Balance – End of year</b>	<b>292,812</b>	<b>23,353</b>	<b>130,476</b>	<b>446,641</b>

#### b) Related to capital assets

Deferred contributions related to capital assets are made up of funding received for capital asset purchases. The amounts are recognized as revenue at the same rate as the capital assets acquired are amortized.

	2018		2017
	Operating Fund \$	Building Fund \$	Total \$
<b>Balance – Beginning of year</b>	3,524	3,113,218	3,116,742
Amount added during the year	18,831	208,766	227,597
Amount utilized during the year	(1,027)	(159,640)	(160,667)
<b>Balance – End of year</b>	<b>21,328</b>	<b>3,162,344</b>	<b>3,183,672</b>

# Discovery House Family Violence Prevention Society

## Notes to Financial Statements

March 31, 2018

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### 9 Operating Fund – internally restricted funds

The Society has established an Operational Funding Reserve to ensure that programs are able to continue should unforeseen funding circumstances arise. The Board of Directors has approved a policy in this regard that includes a target reserve balance of three to nine months of budgeted operating expenditures. During the year, the Board approved transfers of \$nil (2017 – \$nil) to this internally restricted fund. The target reserve balance and the internally restricted amount may be reviewed on an annual basis to ensure they remain relevant as the scale of the Society's operations change.

### 10 Bursary Fund

The Society established a Bursary Fund in 2008 related to donations received from an anonymous donor to fund certain educational programs for the Society's clients. The gifts reflect the donor's desire to make a difference in the lives of women who have experienced family violence by helping them obtain the necessary post-secondary education to become self-sufficient and achieve their full potential. During the current year, the Society did not receive further contributions from the anonymous donor in support of this program. In accordance with the donor's wishes, \$1,150,000 of the funds received have been designated as an endowment, with the balance designated for utilization as bursaries. The interest earned on the endowment investments is deferred until certain educational programs were funded during the year.

	2018 \$	2017 \$
Cash and cash equivalents	-	17,645
Prepaid expenses	424	-
Short-term investments	592,037	898,310
Long-term investments	580,892	285,667
Interfund balances	-	(29,544)
<b>Total Bursary Fund balance</b>	<b>1,173,353</b>	<b>1,172,078</b>
Deferred contributions related to operations	23,353	22,078
Endowment	1,150,000	1,150,000
	<b>1,173,353</b>	<b>1,172,078</b>

# Discovery House Family Violence Prevention Society

## Notes to Financial Statements

March 31, 2018

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### 11 Building Fund – internally restricted funds

The Society currently operates a primary facility that houses its administration and secure living arrangements for up to 19 client families. In addition, the Society owns and operates a single dwelling home within the city of Calgary. The Society has established a Facility Maintenance and Replacement Reserve to ensure that adequate funds are available for capital maintenance, improvements and replacements. The Society periodically conducts a thorough inspection of the structures and their systems, which is used to determine the capital reserve requirements. Management recommends the appropriate facility reserve amount based on Board approved formulas linked to estimated costs to be incurred over the life cycle of the related assets. The Board may also approve additional reserve amounts. During the year, the Board approved transfers of \$nil (2017 – \$nil) to this internally restricted fund. The target reserve balance and the internally restricted amount may be reviewed on an annual basis to ensure it remains relevant as the scale of the Society's operations change.

### 12 Grants

#### a) Operating Fund

	2018 \$	2017 \$
Calgary Homeless Foundation – Community Housing	1,277,788	1,613,647
Ministry of Community and Society Services, Housing and Homeless Support Branch	921,896	807,062
City of Calgary Family and Community Support Services	540,493	540,493
United Way	-	109,369
Calgary and Area Child and Family Services Authority	70,701	70,701
Calgary Homeless Foundation – Pilot Project	-	13,300
Adaptive Case Management (CHF fee for service)	198,970	-
Other	40,496	32,764
	<u>3,050,344</u>	<u>3,187,336</u>

#### b) Calgary Homeless Foundation funded project

	Actual \$	Budget \$ (unaudited)
<b>Funds received</b>		
Calgary Homeless Foundation per agreement	1,080,897	1,308,350
Carry forward from prior year	227,453	-
	<u>1,308,350</u>	<u>1,308,350</u>
<b>Expenditures</b>		
Staff costs	831,764	831,762
Client costs	315,190	345,753
Administration costs	130,834	130,835
	<u>1,277,788</u>	<u>1,308,350</u>
<b>Excess (funds recorded as deferred contributions)</b>	<u>30,562</u>	<u>-</u>

# Discovery House Family Violence Prevention Society

## Notes to Financial Statements

March 31, 2018

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### 13 Financial instruments

Management has determined that the Society is not exposed to significant credit risk due to nominal amounts receivable and other financial assets being held with credit worthy counterparties and is not exposed to significant interest rate risk due to investments being held until maturity with fixed interest rates. The Society has some market risk due to the nature of the investments held. To mitigate the market risk, the Board of Directors has implemented an investment policy which guides the Society in what types of investments can be invested in.

### 14 Commitments

Annual lease service commitments for office equipment are as follows:

	\$
2019	8,017
2020	1,865
2021	1,865
2022	155
2023	-
	<hr/>
	11,902
	<hr/>

### 15 Contingent liabilities

In 2004, the Society received a forgivable loan of \$1,469,996 from Canada Mortgage and Housing Corporation. The loan is non-interest bearing and is to be forgiven in equal annual principal amounts of \$98,000 until 2019 provided that the Society continues to own and use the relevant property as a second stage women's shelter.

Security of the loan includes a second charge on the Building Fund capital assets and a general assignment of all present and future leases, grants, subsidies, contributions, revenues and receivables related to the property.

The full amount of the forgivable loan was recorded as deferred contributions related to capital assets in 2004 when the Society became entitled to receive it. The deferred contribution is recognized as revenue in the year in which the loan is forgiven.

At March 31, 2018, the amount not yet forgiven was \$98,000 (2017 – \$195,922).

# **Discovery House Family Violence Prevention Society**

## **Notes to Financial Statements**

**March 31, 2018**

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### **16 Fundraising expenses**

As required to be disclosed under Section 7(2) of the Alberta Charitable Fundraising Regulations, amounts paid as remuneration to employees whose principal duties involve fundraising were \$143,846 (2017 – \$240,822).

### **17 Government remittances**

Payroll source deductions amounting to \$6,455 (2017 – \$nil) are owed to the federal government at March 31, 2018 and are included in accounts payable and accruals.