COMMUNITYWISE RESOURCE CENTRE

FINANCIAL INFORMATION PACKAGE

DECEMBER 31, 2018

TELEPHONE (403) 209-0159
FAX (403) 228-3654

SUITE 507, 5920 – 1A STREET SW
CALGARY, ALBERTA T2H 0G3

MBD LLP

Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of CommunityWise Resource Centre:

Qualified Opinion

We have audited the financial statements of **CommunityWise Resource Centre** (the "Centre"), which comprise the statement of financial position as at **December 31, 2018**, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion Section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at **December 31, 2018**, and its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPOs).

Basis for Qualified Opinion

Consistent with many charitable organizations, the Centre derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of the revenues was limited to the amounts recorded in the records of the organization and we were unable to satisfy ourselves by alternative means concerning such donations for the year ended **December 31, 2018**. Since donations enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the years reported in the statement of operations and the net cash flows from operating activities reported in the statement of cash flows.

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 Centre 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.

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

Those charged with governance are responsible for overseeing the Centre’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.

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 Centre’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 Centre’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 Centre 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.

May 10, 2019 **MBD LLP**
Calgary, Alberta *Chartered Professional Accountants*

COMMUNITYWISE RESOURCE CENTRE

STATEMENT OF FINANCIAL POSITION

	December 31 2018	2017 (Note 10)
ASSETS		
Current asset:		
Cash and cash equivalents	$ 110,491	$ 153,134
Accounts receivable	11,516	11,330
Goods and services tax recoverable	2,691	2,611
Prepaid expenses	1,110	1,058
	125,808	168,133
Long term investments (Note 4)	85,586	83,423
Capital assets (Note 3)	241,346	278,425
	$ 452,740	$ 529,981
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 13,788	$ 16,308
Employee remittances payable	-	4,196
Security deposits	33,336	30,634
Deferred revenue (Note 5)	95,380	123,678
	142,504	174,816
Deferred capital contributions (Note 6)	154,542	193,178
	297,046	367,994
Net assets		
General fund	115,694	123,245
Restricted fund	40,000	38,742
	155,694	161,987
	$ 452,740	$ 529,981

ON BEHALF OF THE BOARD

______________________________Director

______________________________Director

COMMUNITYWISE RESOURCE CENTRE

STATEMENT OF OPERATIONS

	Year Ended December 31 2018	Year Ended December 31 2017
Revenue		
Grants, donations and fundraising	$ 120,964	$ 136,073
Rental and memberships	171,157	171,070
Interest income	1,229	1,284
Other income	824	519
	294,174	308,946
Expenses		
Bad debts	-	2,739
Bank charges and interest	582	245
Fundraising expense	1,997	-
Insurance	2,539	2,540
Janitorial	25,243	26,331
Office supplies	7,194	7,808
Promotion and community	2,309	3,177
Professional fees	4,551	4,659
Repairs and maintenance	12,055	20,730
Salaries and related benefits	172,049	166,327
Self-supporting programs	2,861	18,682
Subcontractors	4,018	14,467
Supplies and rental equipment	7,847	7,524
Utilities	37,906	31,496
	281,151	306,725
Excess of revenue over expenses from operations	13,023	2,221
Other items		
Amortization of deferred capital contributions	38,636	48,295
Amortization	(57,952)	(69,158)
	(19,316)	(20,863)
Deficiency of revenue over expenses	$ (6,293)	$ (18,642)

COMMUNITYWISE RESOURCE CENTRE

STATEMENT OF CHANGES IN NET ASSETS

	Unrestricted	Restricted Fund (Note 12)	Year Ended December 31 2018	Year Ended December 31 2017
Net assets, beginning of year	$ 123,245	$ 38,742	$ 161,987	$ 180,629
Deficiency of revenues over expenses	449	(6,742)	(6,293)	(18,642)
Reserve contribution required by City of Calgary lease	(8,000)	8,000	-	-
Net assets, end of year	$ 115,694	$ 40,000	$ 155,694	$ 161,987

COMMUNITYWISE RESOURCE CENTRE

STATEMENT OF CASH FLOWS

	Year Ended December 31 2018	Year Ended December 31 2017 (Note 10)
Operating activities		
Deficiency of revenue over expenses	$ (6,293)	$ (18,642)
Items not affecting cash:		
Amortization of capital assets	57,952	69,158
Amortization of deferred capital contributions	(38,636)	(48,295)
	13,023	2,221
Changes in non-cash working capital		
Accounts receivable	(186)	1,438
Goods and services tax payable	(80)	(1,510)
Prepaid expenses	(52)	26
Accounts payable and accrued liabilities	(2,520)	(4,104)
Employee remittances payable	(4,196)	241
Security deposits	2,702	(167)
	(4,332)	(4,076)
Cash flow from operating activities	8,691	(1,855)
Investing activities		
Purchase of capital assets	(20,873)	(5,723)
Financing activities		
Deferred revenue	(28,298)	(69)
Increase in cash flow	(40,480)	(7,647)
Cash and cash equivalents, beginning of year	236,557	244,204
Cash and cash equivalents, end of year	$ 196,077	$ 236,557
Cash and cash equivalents consists of:		
Cash	$ 110,491	$ 153,134
Long-term investments	85,586	83,423
	$ 196,077	$ 236,557

1. Operations

CommunityWise Resource Centre (the "Centre") is a not-for-profit organization incorporated under the Societies Act of Alberta. As a registered charity, the Centre is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Centre's objective is a commitment to preserving the "Old Y" building as a historical resource of Calgary, Alberta. As part of its mandate, the Centre provides office and community space to non-profit and charitable organizations at nominal cost. CommunityWise Resource Centre houses over thirty such organizations that provide programs and support to the community in areas such as addictions supports and advocacy, hunger alleviation, disability services, mental health supports,ethnocultural community organizing, LGBTQ2+ peer support, Indigenous community service, and film, performative, and community arts.

2. Significant Accounting Policies

(a) Basis for accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) in Part III of the CPA Canada Handbook and include the following significant accounting policies:

(b) Measurement uncertainty

The preparation of the financial statements in accordance with Canadian accounting principles 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 revenue and expenses during the reporting period. Such estimates include the estimated useful life of capital assets. Estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from and affect the results reported in these financial statements.

(c) Revenue recognition:

The Centre follows the deferral method of accounting for contributions. Restricted grants and contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted revenues include rental income, membership fees, interest and other income, and unrestricted donations. Rental income, membership fees and interest income are recognized in revenue as they are earned. Unrestricted fundraising and donation revenues are recognized when proceeds are received, and the fundraising event has been completed.

Deferred revenue represents funds advanced for programs to be carried out in future periods.

(d) Deferred capital contributions

Contributions provided or allocated for the purposes of acquiring property and equipment are recognized as revenues on the same basis as the related property and equipment is amortized.

2. Significant Accounting Policies (*continued)*

(e) Capital assets

Capital assets are stated at cost or deemed cost, less accumulated amortization. Capital assets acquired during the year but not placed into use are not amortized until they are placed into use. Newly acquired assets are amortized at half the rate for the first year. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates:

Office equipment	30%
Leasehold improvements	20%
Furniture and fixtures	55%

The Centre regularly reviews its capital assets for obsolescence.

(f) Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair market value of the services, contributed services are not recognized in the financial statements.

(g) Financial instruments

Financial instruments are recorded at fair value when acquired or issued. They are subsequently measured at amortized cost and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

Financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable, goods and services tax recoverable and long term investments.

Financial liabilities subsequently measured at amortized cost include accounts payable, payroll liabilities and security deposits.

3. Capital assets

	Cost	Accumulated Amortization	Net Book Value December 31 2018	Net Book Value December 31 2017
Computer equipment	$ 6,806	$ 5,546	$ 1,260	$ 1,800
Furniture and fixtures	37,746	35,394	2,352	2,340
Leasehold improvements	1,295,697	1,057,963	237,734	274,285
	$ 1,340,249	$ 1,098,903	$ 241,346	$ 278,425

4. Long term investments

Long term investments represent the reserve funds set aside for building repair and improvements as required by the City of Calgary lease, security deposits received from tenants for the Centre, and investments in common shares of First Calgary Financial required for banking.

	Interest rate %	December 31 2018	December 31 2017
Restricted leasholding term deposit:			(Note 10)
Fixed non-redeemable GIC	2.05%	$ 40,000	$ -
Fixed non-redeemable GIC	0.90%	-	6,206
Fixed non-redeemable GIC	1.75%	-	16,367
Fixed non-redeemable GIC	0.65%	-	8,169
Fixed non-redeemable GIC	0.65%	-	8,000
Total restricted		40,000	38,742
Unrestricted members security deposit:			
Non-redeemable term deposit	2.01%	-	32,357
Fixed non-redeemable GIC	0.95%	27,000	-
Unrestricted CommunityWise savings:			
Fixed non-redeemable GIC	2.55%	12,043	12,043
Unrestricted CommunityWise investments:			
Fixed non-redeemable GIC	1.70%	6,262	-
Common shares – First Calgary Financial:		281	281
Total unrestricted		45,586	44,681
		$ 85,586	$ 83,423

5. Deferred revenue

Deferred revenue represents funds received by the Centre where there are external restrictions on their use and therefore deferred for future periods or for a specific purpose

	December 31 2018	December 31 2017
Casino funds deferred	$ 56,623	$ 32,611
Funds received and deferred	38,757	91,067
	$ 95,380	$ 123,678

Casino funds are restricted in accordance with the Alberta Gaming and Liquor Commission application.

6. Deferred capital contributions

Deferred capital contributions represent contributions that were used for the purchase of capital assets. The contributions are recognized as revenue on the same basis as amortization of the related asset.

	December 31	
	2018	2017
Deferred capital contributions, beginning of year	$ 193,178	$ 241,473
Amortization of deferred capital contributions	(38,636)	(48,295)
	$ 154,542	$ 193,178

Casino funds are restricted in accordance with the Alberta Gaming and Liquor Commission application.

7. Related parties

A number of Board members are also Board members of organizations that rent space from the Centre. These transactions occur in the normal course of operations, and no preferential treatment is given to these related organizations.

8. Lease commitments

The Centre's operations are conducted on premises that are part of a lease agreement with the City of Calgary. The most recent lease term agreement was for a period of five years and ended on May 31, 1999. An extension of the lease has not been secured, however terms of the over-held lease remain in effect. The lease provided for rent of $10 per year, and the commitment of $6,000 annually to be put in reserve for building preservation. The Centre is currently in negotiations with the City of Calgary for a renewed long-term lease. As of the date of the audit report, the parties have not finalized an agreement for renewal of the lease.

The Centre has also signed an operating lease for a photocopier which expire in 2023, and requires monthly payments of $210.64 plus GST.

9. Financial Instruments

The Centre is exposed to various risks associated with financial instruments that have the potential to affect its operations and financial performance. The following analysis provides a measure of the risks at the reporting date December 31, 2018:

(a) Fair values

The carrying value of the Centre's financial instruments including cash, accounts receivable, bank loan, accounts payable, accrued liabilities and deferred revenue approximate their fair value due to their short term nature or existing terms similar to those that could be obtained currently.

(b) Credit risk

The Centre provides credit to its clients who rent office space in the normal course of operations. Accounts receivables are with known and reliable sources and are subject to normal credit risks. They assess, on a continuous basis, the ability to collect the outstanding amounts.

(c) Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Accounts payable and accrued liabilities are generally paid within 30 days. Security deposits are paid when the obligation to do so arises.

(d) Interest rate risk

Interest rate risk is the risk that the value of financial instruments might be adversely affected by a change in the interest rates. The Centre is exposed to interest rate risk on its fixed and floating rate instruments. Fixed-rate instruments subject the Centre to fair value risk, while the floating rate instruments subject it to a cash flow risk. The Centre is exposed to this type of risk as a result of long-term investments. However, the risk associated with investments is reduced to a minimum since these assets are invested in government securities.

10. Restatement

Adjustments were made to the classification of certain balance sheet accounts in order to reflect more accurate account descriptions. The reclassification does not impact the financial results.