

COMMUNITYWISE RESOURCE CENTRE

FINANCIAL STATEMENTS

DECEMBER 31, 2019

DRAFT

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, 2019**, 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, 2019**, 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 (ASNPOs).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Centre. Therefore, we were unable to satisfy ourselves by alternative means concerning such donations for the year ended **December 31, 2019**. Since donations enter into the determination of the financial performance and cash flows, we were not able to determine whether any adjustments might be necessary to the profit for the year 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 ASNPOs, 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 relating 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.

June 16, 2020
Calgary, Alberta

MBD LLP
Chartered Professional Accountants

COMMUNITYWISE RESOURCE CENTRE
STATEMENT OF FINANCIAL POSITION

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u> (Note 11)
ASSETS		
Current asset:		
Cash and cash equivalents	\$ 126,206	\$ 110,491
Accounts receivable	11,650	11,516
Goods and services tax recoverable	3,357	2,691
Prepaid expenses	1,113	1,110
Short term investments (Note 5)	<u>113,209</u>	<u>58,586</u>
	255,535	184,394
Long term investments (Note 5)	-	27,000
Capital assets (Note 3)	<u>229,033</u>	<u>241,346</u>
	<u>\$ 484,568</u>	<u>\$ 452,740</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 19,816	\$ 13,788
Security deposits	30,100	33,336
Deferred revenue (Note 4)	<u>122,562</u>	<u>95,380</u>
	172,478	142,504
Deferred capital contributions (Note 6)	<u>137,742</u>	<u>154,542</u>
	<u>310,220</u>	<u>297,046</u>
Net assets		
General fund	133,528	115,694
Restricted leasehold fund (Note 8)	36,820	40,000
Internally restricted fund	<u>4,000</u>	<u>-</u>
	<u>174,348</u>	<u>155,694</u>
	<u>\$ 484,568</u>	<u>\$ 452,740</u>

ON BEHALF OF THE BOARD

_____ Director

_____ Director

COMMUNITYWISE RESOURCE CENTRE

STATEMENT OF OPERATIONS

	<u>Year Ended</u> <u>December 31</u>	
	<u>2019</u>	<u>2018</u> (Note 11)
Revenue		
Grants, donations and fundraising	\$ 148,504	\$ 120,964
Rental and memberships	193,411	171,157
Interest income	2,138	1,229
Other income	<u>-</u>	<u>824</u>
	<u>344,053</u>	<u>294,174</u>
Expenses		
Bad debts	984	-
Bank charges and interest	578	582
Fundraising expense	348	1,997
Insurance	2,539	2,539
Janitorial	24,370	25,243
Non-refundable goods and services tax	3,339	-
Office supplies	7,721	7,194
Professional fees	3,310	4,551
Promotion and community	988	2,309
Program delivery	29,363	4,018
Repairs and maintenance	17,818	12,055
Salaries and related benefits	168,499	172,049
Self-supporting programs	1,188	2,861
Supplies and rental equipment	7,099	7,847
Utilities	<u>36,713</u>	<u>37,906</u>
	<u>304,857</u>	<u>281,151</u>
Excess of revenue over expenses from operations	39,196	13,023
Other items		
Amortization of deferred capital contributions	31,916	38,636
Amortization	<u>(52,458)</u>	<u>(57,952)</u>
	<u>(20,542)</u>	<u>(19,316)</u>
Excess (deficiency) of revenue over expenses	<u>\$ 18,654</u>	<u>\$ (6,293)</u>

COMMUNITYWISE RESOURCE CENTRE

STATEMENT OF CHANGES IN NET ASSETS

	<u>Unrestricted Fund</u>	<u>Internally Restricted Fund</u>	<u>Restricted Fund</u> (Note 5)	<u>Year Ended December 31</u> <u>2019</u>	<u>2018</u> (Note 11)
Net assets, beginning of year	\$ 115,694	\$ -	\$ 40,000	\$ 155,694	\$ 161,987
Excess (deficiency) of revenues over expenses	27,834	-	(9,180)	18,654	(6,293)
Reserve contribution required by City of Calgary	(6,000)	-	6,000	-	-
Internally restricted by Board	<u>(4,000)</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 133,528</u>	<u>\$ 4,000</u>	<u>\$ 36,820</u>	<u>\$ 174,348</u>	<u>\$ 155,694</u>

COMMUNITYWISE RESOURCE CENTRE

STATEMENT OF CASH FLOWS

	Year Ended December 31	
	2019	2018 (Note 11)
Operating activities		
Deficiency of revenue over expenses	\$ 18,654	\$ (6,293)
Items not affecting cash:		
Amortization of capital assets	52,458	57,952
Amortization of deferred capital contributions	<u>(16,801)</u>	<u>(38,636)</u>
	<u>54,311</u>	<u>13,023</u>
Changes in non-cash working capital		
Accounts receivable	(134)	(186)
Goods and services tax payable	(666)	(80)
Prepaid expenses	(3)	(52)
Accounts payable and accrued liabilities	6,028	(2,520)
Employee remittances payable	-	(4,196)
Security deposits	<u>(3,235)</u>	<u>2,702</u>
	<u>1,990</u>	<u>(4,332)</u>
Cash flow from operating activities	<u>56,301</u>	<u>8,691</u>
Investing activities		
Purchase of capital assets	<u>(40,145)</u>	<u>(20,873)</u>
Financing activities		
Deferred revenue	<u>27,182</u>	<u>(28,298)</u>
Increase in cash flow	43,338	(40,480)
Cash and cash equivalents, beginning of year	<u>196,077</u>	<u>236,557</u>
Cash and cash equivalents, end of year	<u>\$ 239,415</u>	<u>\$ 196,077</u>
Cash and cash equivalents consist of:		
Cash	\$ 126,206	\$ 110,491
Short-term investments	113,209	58,586
Long-term investments	<u>-</u>	<u>27,000</u>
	<u>\$ 239,415</u>	<u>\$ 196,077</u>

COMMUNITYWISE RESOURCE CENTRE**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019****1. Incorporation**

CommunityWise Resource Centre (the “Centre”) is a not-for-profit organization incorporated under the Societies Act of Alberta on May 22, 1979. Its mission is to be a non-profit hub by providing inclusive, affordable, and equitable space at nominal cost and offering community development programs such as addictions supports and advocacy, hunger alleviation, disability services, mental health supports, ethnocultural community organizing, LGBTQ2+ peer support, indigenous community service, and community arts to support and strengthen diverse grassroots and non-profit members.

The Centre is a registered charitable organization as defined in paragraph 149.1 of the Income Tax Act and as such is exempt from income taxes.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

The Centre follows the deferral method of accounting for contributions. Restricted contributions are 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 income and unrestricted donations and fundraising. The unrestricted revenues are recognized in revenue as they are earned.

(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. Estimates including the estimated useful life of capital assets are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Therefore, actual results could differ from and affect the results reported in these financial statements.

(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**

All property, plant and equipment purchased, are recorded at cost. These assets are depreciated over their estimated useful life. Amortization is charged on an annual basis using the declining balance method over their estimated useful life as follows:

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

The Centre regularly reviews its capital assets for obsolescence.

3. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>December 31 2019</u>	<u>2018</u>
Computer equipment	\$ 7,772	\$ 6,068	\$ 1,704	\$ 1,260
Furniture and fixtures	40,407	36,131	4,276	2,352
Leasehold improvements	<u>1,332,215</u>	<u>1,109,162</u>	<u>223,053</u>	<u>237,734</u>
	<u>\$ 1,380,394</u>	<u>\$ 1,151,361</u>	<u>\$ 229,033</u>	<u>\$ 241,346</u>

4. 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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Casino funds deferred	\$ 27,989	\$ 56,623
Funds received and deferred	<u>94,573</u>	<u>38,757</u>
	<u>\$ 122,562</u>	<u>\$ 95,380</u>

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

5. Short and long term investments

Investments represent the reserve funds set aside for building repair and improvements as required by the City of Calgary lease (Note 8), restricted casino funds (Note 4), the contingency fund for operating costs, security deposits received from tenants for the Centre, and investments in common shares of First Calgary Financial required for banking.

	<u>Interest rate</u>	<u>December 31</u>	
	%	<u>2019</u>	<u>2018</u>
Restricted:			(Note 11)
Fixed non-redeemable GIC – Leasehold savings	2.15%	\$ 36,820	\$ 40,000
Fixed redeemable GIC – Casino	2.55%	<u>10,000</u>	<u>-</u>
Total restricted		<u>46,820</u>	<u>40,000</u>
Unrestricted members security deposit:			
Fixed non-redeemable GIC	4.10%	\$ 27,471	\$ 27,000
Unrestricted CommunityWise savings:			
Fixed redeemable GIC	2.55%	12,198	12,043
Fixed redeemable GIC	2.55%	6,400	6,262
Unrestricted CommunityWise investments:			
Fixed redeemable GIC	2.55%	20,000	-
Common shares – First Calgary Financial:		<u>320</u>	<u>281</u>
Total unrestricted		<u>66,389</u>	<u>45,586</u>
		113,209	85,586
Investments with maturity dates greater than 12 months		<u>-</u>	<u>(27,000)</u>
Short term portion		<u>\$ 113,209</u>	<u>\$ 58,586</u>

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.

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Deferred capital contributions, beginning of year	\$ 154,542	\$ 193,178
Amortization of deferred capital contributions	<u>(16,800)</u>	<u>(38,636)</u>
	<u>\$ 137,742</u>	<u>\$ 154,542</u>

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 expires in 2023, and requires monthly payments of \$210.64 plus GST.

9. Financial instruments

(a) Fair values

The carrying value of the Centre's financial instruments including cash, accounts receivable, 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

Accounts receivables are with known and reliable sources, and are subject to normal credit risks.

(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 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. Subsequent events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

As at June 2020, the Centre is aware of changes in its operations as a result of the COVID-19 crisis, including the delay of member programming, moving programming online, the temporary cessation of all meetings and programming held onsite in the Centre's common use spaces until public health orders and advisory is completely lifted; however there is uncertainty about the length and potential impact of the disturbance.

As a result, the Centre is unable to estimate the potential impact on operations as at the date of these financial statements.

11. Restatement

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

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