

ROWAN HOUSE SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2023

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, 2023, 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, 2023, 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.

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' 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.

INDEPENDENT AUDITOR'S REPORT, continued

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.

Baker Tilly Catalyst LLP

**CALGARY, ALBERTA
JUNE 28, 2023**

**CHARTERED PROFESSIONAL
ACCOUNTANTS**

ROWAN HOUSE SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

	2023	2022
Assets		
Current		
Cash	\$ 129,185	\$ 336,126
Goods and services tax receivable	15,759	15,467
Prepaid expenditures	54,775	60,937
	199,719	412,530
Investments (Note 3)	1,504,511	1,597,709
Capital assets (Note 4)	1,006,174	1,047,479
	\$ 2,710,404	\$ 3,057,718
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	\$ 44,976	\$ 42,097
Deferred contributions (Note 5)	155,341	211,343
Current portion of long-term deferred contributions (Note 6)	31,512	31,041
	231,829	284,481
Long-term deferred contributions (Note 6)	430,354	450,098
	662,183	734,579
Net assets (Note 7)	2,048,221	2,323,139
	\$ 2,710,404	\$ 3,057,718

Approved on behalf of the board

Derek Ruffin

 Director

C Tulloch

 Board Chair

ROWAN HOUSE SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023

	Operating Fund	Restricted Fund		2023	2022
REVENUE					
Government of Alberta (Note 9)	\$ -	\$ 1,306,581	\$ -	\$ 1,306,581	\$ 1,306,581
Donations	420,250	-	-	420,250	325,146
Grants	277,765	-	-	277,765	184,708
Safe at Home income	190,915	-	-	190,915	207,795
Community programming	161,689	-	-	161,689	94,345
Fundraising	113,462	-	-	113,462	83,225
Capital campaign (Note 6)	31,041	-	-	31,041	31,041
Gaming income	29,910	-	-	29,910	6,480
Investment income	-	-	22,060	22,060	41,729
Interest income	9,725	-	-	9,725	13,656
	<u>1,234,757</u>	<u>1,306,581</u>	<u>22,060</u>	<u>2,563,398</u>	<u>2,294,706</u>
EXPENDITURES					
Salaries	354,344	1,138,775	-	1,493,119	1,330,478
Direct client costs	298,931	46,711	-	345,642	166,476
Employee benefits	103,668	110,458	-	214,126	123,500
Community programming	212,082	-	-	212,082	88,394
Administration and overhead	90,148	-	-	90,148	119,631
Amortization	57,404	-	-	57,404	54,845
Utilities	1,416	43,879	-	45,295	35,338
Office	25,692	18,640	-	44,332	41,878
Repairs and maintenance	-	43,368	-	43,368	33,699
Telephone	2,729	37,483	-	40,212	38,672
Accounting and legal	19,524	18,945	-	38,469	39,927
Child care programming	-	37,873	-	37,873	37,649
Rent	36,130	-	-	36,130	41,132
Training	8,724	17,910	-	26,634	17,590
Fundraising (Note 8)	25,146	-	-	25,146	19,198
Travel and subsistence	13,764	5,980	-	19,744	3,900
Supplies	-	19,181	-	19,181	15,374
Advertising and promotion	7,317	-	-	7,317	3,999
Equipment rent	4,190	-	-	4,190	-
Insurance	3,609	-	-	3,609	5,073
Office services	-	-	-	-	2,295
Investment management fees	-	-	-	-	504
	<u>1,264,818</u>	<u>1,539,203</u>	<u>-</u>	<u>2,804,021</u>	<u>2,219,552</u>
EXCESS (DEFICIENCIES) OF REVENUES OVER EXPENDITURES FROM OPERATIONS	<u>(30,061)</u>	<u>(232,622)</u>	<u>22,060</u>	<u>(240,623)</u>	<u>75,154</u>
OTHER INCOME (EXPENDITURES)					
Unrealized gain (loss) on investments	-	-	18,766	18,766	(18,216)
Provincial COVID funding program	17,735	-	-	17,735	(17,681)
Federal COVID grants	-	-	-	-	34,183
COVID relief subsidies	-	-	-	-	143,139
Federal COVID program expenditures	(17,967)	-	-	(17,967)	(35,606)
Gain (loss) on sale of investments	-	-	(52,829)	(52,829)	130
	<u>(232)</u>	<u>-</u>	<u>(34,063)</u>	<u>(34,295)</u>	<u>105,949</u>
EXCESS (DEFICIENCIES) OF REVENUES OVER EXPENDITURES FOR THE YEAR	<u>\$ (30,293)</u>	<u>\$ (232,622)</u>	<u>\$ (12,003)</u>	<u>\$ (274,918)</u>	<u>\$ 181,103</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, 2023

	Operating Fund	Restricted Fund	Internally Restricted Fund (Note 3)	Total 2023	Total 2022
Balance, beginning of year	\$ 714,621	\$ -	\$ 1,608,518	\$ 2,323,139	\$ 2,142,036
Deficiencies of revenue over expenditures	(30,293)	(232,622)	(12,003)	(274,918)	181,103
Interfund transfers (Note 10)	(140,622)	232,622	(92,000)	-	-
Balance, ending of year	\$ 543,706	\$ -	\$ 1,504,515	\$ 2,048,221	\$ 2,323,139

The accompanying notes are an integral part of the financial statements

ROWAN HOUSE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures	\$ (274,918)	\$ 181,103
Adjustments for		
Amortization	57,404	54,845
Amortization of deferred capital contributions	(240)	-
Unrealized (gain) loss on investments	(18,766)	18,216
Loss (gain) on sale of investments	52,829	(130)
Amortization of long-term deferred contributions	(31,041)	(31,041)
	(214,732)	222,993
Change in non-cash working capital items		
Accounts receivable	-	25,000
Prepaid expenditures	6,162	(45,142)
Accounts payable and accrued liabilities	2,879	2,012
Goods and services tax receivable	(292)	(4,592)
Salaries payable	-	(38,367)
Deferred contributions	(75,275)	(66,991)
	(281,258)	94,913
Cash flows from investing activities		
Purchase of investments	(1,503,761)	(1,030,920)
Proceeds on sale of investments	1,582,170	965,173
Purchase of capital assets	(16,100)	(80,024)
	62,309	(145,771)
Cash flows from financing activities		
Contributions received for acquisition of capital assets	12,008	-
	12,008	-
Increase (decrease) in cash	(206,941)	(50,858)
Cash, beginning of year	336,126	386,984
	\$ 129,185	\$ 336,126
Cash consists of:		
Unrestricted cash	\$ 87,288	\$ 289,878
Restricted cash (Note 5)	41,897	46,248
	\$ 129,185	\$ 336,126

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, 2023

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. 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, 2023

2. 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.

Financial assets measured at amortized cost include cash and accounts receivable.

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

Financial assets measured at fair value include investments.

(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 the Statement of 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 the Statement of Operations.

(d) Measurement uncertainty

The preparation of financial statements in accordance with 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 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, 2023

2. 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, 2023

2. 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) Government assistance

Government assistance includes subsidies associated with the COVID-19 pandemic support initiatives, and is recognized when there is reasonable assurance that the assistance will be received.

Government assistance related to an expenditure item is recognized as other income in the period in which the subsidy is approved.

Government assistance recorded in current and prior periods is subject to government review, which could result in future adjustments to income.

(i) 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.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

2. **Significant accounting policies, continued**

(j) **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, 2023

3. Investments

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

	2023	2022
Business Interruption Fund	\$ 570,000	\$ 570,000
Capital Asset Replacement Reserve Fund	387,005	387,005
Strategic Investment Fund	351,158	437,416
Schedule B - Surplus Retention Reserve	98,348	13,288
Operating Reserve	98,000	190,000
	\$ 1,504,511	\$ 1,597,709

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. These funds have been invested in a mix of GICs and low-risk mutual funds.

The Operating Reserve represents one month's operating costs as determined by the Board, and has been internally restricted to act as an emergency fund to protect against unforeseen expenditures that may arise due to world events. These funds have been invested in GICs with staggered maturity dates and interest rates between 3.15% and 4.30%.

The Business Interruption Fund has been internally restricted 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. These funds have been invested in a mix of GICs and low-risk mutual funds.

The Capital Asset Replacement Reserve Fund has an annual interest rate of 3.80% 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 Schedule B - Surplus Retention Reserve is an amount held in a non-redeemable GIC has an annual interest rate of 3.15% with a maturity date of November 29, 2024. This is a surplus from the Schedule B Funds from the provincial government program.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

4. **Capital assets**

	Cost	Accumulated Amortization	2023 Net Book Value	2022 Net Book Value
Buildings	\$ 1,140,254	\$ 394,723	\$ 745,531	\$ 764,336
Land	185,621	-	185,621	185,621
Equipment	117,115	79,921	37,194	49,592
Computer equipment	84,005	61,872	22,133	29,513
Furniture and fixtures	96,460	80,765	15,695	18,417
	\$ 1,623,455	\$ 617,281	\$ 1,006,174	\$ 1,047,479

5. **Deferred contributions**

	2023	2022
Casino funds	\$ 41,897	\$ 46,248
Okotoks Community Grant	32,793	55,376
VAW grant	31,988	39,302
Preventative Education Program	21,000	49,000
Safe at Home Program	20,367	10,807
Alberta Law Foundation grant	7,296	-
Deferred donations	-	10,610
	\$ 155,341	\$ 211,343

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

6. Long-term deferred contributions

	2023	2022
Opening balance	\$ 481,139	\$ 512,180
Additions	12,008	-
Deferred revenue recognized	(31,041)	(31,041)
Deferred contributions reducing amortization	(240)	-
	(19,273)	(31,041)
Total deferred contribution	(19,273)	(31,041)
Current portion	(31,512)	(31,041)
	\$ 430,354	\$ 450,098

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.

In 2023, improvements made to the building's electrical were also funded via grants, and are being amortized at the same rate as the improvements made.

7. 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 deficit of \$274,918 (2022 - surplus of \$181,103) is unrestricted.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

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

Gross contributions received (excluding donations not yet cleared) were \$2,533,165 (2022 - \$2,232,584).

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 \$25,146 (2022 - \$19,198). No remuneration was paid for fundraising activities.

9. 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.

10. Interfund transfers

The Society transferred donation revenues of \$232,622 (2022 - \$11,482) from the Operating Fund to the Restricted Fund during the year. \$92,000 was transferred from internally restricted funds to the General Operating Fund during the year.

11. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

12. 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.

ROWAN HOUSE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

12. Financial instruments, continued

(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 investments included in the Operating Reserve, Strategic Investment Fund, Business Interruption Fund, and Capital Asset Replacement Reserve Fund.

(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 instruments.