

Wood's Homes Society

Consolidated Financial Statements

and

Independent Auditors' Report thereon

March 31, 2021





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Wood's Homes Society

Opinion

We have audited the consolidated financial statements of Wood's Homes Society (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2021;
- the consolidated statement of operations and changes in fund balances for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2021, and its consolidated results of operations, and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

May 25, 2021

Wood's Homes Society

Consolidated Statement of Financial Position

As at March 31, 2021, with comparative information for 2020

			2021	2020
	Operating	Capital	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents	2,699,729	1,728,482	4,428,211	4,275,808
Accounts receivable	1,887,975	66,392	1,954,367	1,554,325
Prepaid expenses	493,254	9,142	502,396	275,499
Due from The Wood's Homes Foundation (note 4)	-	-	-	53,262
Due from (to) funds	1,954,420	(1,954,420)	-	-
	<u>7,035,378</u>	<u>(150,404)</u>	<u>6,884,974</u>	<u>6,158,894</u>
Capital assets (note 5)	-	23,934,957	23,934,957	24,412,828
Intangible asset (note 6)	20,500	-	20,500	51,250
Total assets	<u>7,055,878</u>	<u>23,784,553</u>	<u>30,840,431</u>	<u>30,622,972</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 7, 12)	5,049,114	108,300	5,157,414	4,475,396
Deferred revenue	303,347	-	303,347	800,389
Due to The Wood's Homes Foundation (note 4)	90,420	-	90,420	-
Current portion of long-term debt (note 9, 13)	-	119,690	119,690	109,590
	<u>5,442,881</u>	<u>227,990</u>	<u>5,670,871</u>	<u>5,385,375</u>
Long-term debt (note 9, 13)	-	3,010,825	3,010,825	3,257,044
Leasehold inducement (note 10)	-	2,100	2,100	30,131
Deferred contributions (note 11)	60,833	15,802,386	15,863,219	16,441,376
	<u>5,503,714</u>	<u>19,043,301</u>	<u>24,547,015</u>	<u>25,113,926</u>
Fund balances				
Unrestricted	1,552,164	4,741,252	6,293,416	5,509,046
	<u>1,552,164</u>	<u>4,741,252</u>	<u>6,293,416</u>	<u>5,509,046</u>
Total liabilities and fund balances	<u>7,055,878</u>	<u>23,784,553</u>	<u>30,840,431</u>	<u>30,622,972</u>
Commitments and contingencies (note 15)				
Subsequent events (note 9c, 20)				

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

Signed on behalf of the Board of Directors

_____ Director

_____ Director

Wood's Homes Society

Consolidated Statement of Operations and Changes in Fund Balances For the Year Ended March 31, 2021, with comparative information for 2020

		Operating \$	Capital \$	2021 Total \$	2020 Total \$
Revenue					
Contract	(note 12)	29,021,817	1,075,218	30,097,035	30,012,383
Fee for service		5,559,616	-	5,559,616	5,903,391
Operating grants		2,195,478	-	2,195,478	2,195,120
Amortization of deferred contributions	(note 11)	45,673	660,566	706,239	777,818
The Wood's Homes Foundation	(note 13)	725,919	-	725,919	747,899
Other income		503,510	4,298	507,808	412,179
		<u>38,052,013</u>	<u>1,740,082</u>	<u>39,792,095</u>	<u>40,048,790</u>
Expenses					
Salaries and benefits		30,346,742	-	30,346,742	29,874,487
Direct client		3,248,132	-	3,248,132	3,955,973
Facility		2,581,619	(28,031)	2,553,588	2,182,341
Administrative		1,721,176	67	1,721,243	1,978,655
Interest on long-term debt		-	136,401	136,401	138,052
Amortization of capital assets		-	999,614	999,614	1,058,661
Amortization of intangible asset		30,750	-	30,750	25,625
		<u>37,928,419</u>	<u>1,108,051</u>	<u>39,036,470</u>	<u>39,213,794</u>
Excess of revenue over expenses before other items		123,594	632,031	755,625	834,996
Gain on disposition of capital assets		-	28,745	28,745	-
Excess of revenue over expenses		123,594	660,776	784,370	834,996
Fund balances – beginning of year		1,428,570	4,080,476	5,509,046	4,674,050
Fund balances - end of year		<u>1,552,164</u>	<u>4,741,252</u>	<u>6,293,416</u>	<u>5,509,046</u>

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

Wood's Homes Society

Consolidated Statement of Cash Flows

For the Year Ended March 31, 2021, with comparative information for 2020

	<u>2021</u>	<u>2020</u>
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	784,370	834,996
Items not affecting cash		
Gain on disposition of capital assets	(28,745)	-
Amortization of capital assets	999,614	1,058,661
Amortization of deferred contributions	(706,239)	(777,818)
Amortization of intangible asset	30,750	25,625
Amortization of leasehold inducement	(28,031)	(28,031)
	<u>1,051,719</u>	<u>1,113,433</u>
Net changes in non-cash working capital affecting operations (note 14)	(351,513)	444,266
	<u>700,206</u>	<u>1,557,699</u>
Investing activities		
Proceeds on disposition of capital assets, net of closing costs	195,729	-
Purchase of capital assets	(688,727)	(524,495)
Net changes in non-cash working capital related to capital assets (note 14)	53,232	(29,920)
	<u>(439,766)</u>	<u>(554,415)</u>
Financing activities		
Deferred contributions received	128,082	92,608
Proceeds from issuance of long-term debt	-	435,000
Payments on long-term debt	(236,119)	(103,199)
	<u>(108,037)</u>	<u>424,409</u>
Increase in cash and cash equivalents	152,403	1,427,693
Cash and cash equivalents – beginning of year	<u>4,275,808</u>	<u>2,848,115</u>
Cash and cash equivalents – end of year	<u>4,428,211</u>	<u>4,275,808</u>

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

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2021, with comparative information for 2020

1. Nature of operations

Wood's Homes Society ("the Society") is incorporated under the Societies Act (Alberta) and is registered as a charity under the Canadian Income Tax Act and accordingly is exempt from income tax.

On December 30, 2011 the Society established a wholly owned subsidiary, Wood's Homes, under the Alberta Companies Act through the issuance of shares. On April 1, 2012 Wood's Homes was granted status as a registered charity under the Canadian Income Tax Act and accordingly is exempt from income tax.

These consolidated financial statements include the accounts of Wood's Homes Society and Wood's Homes (collectively "Wood's"). Wood's mission is to promote and assist the development and well-being of children, youth and families within the community. Various government ministries and other funders have contracted with Wood's to deliver such services. Additional revenues are provided by the Wood's Homes Foundation (note 3 and note 13), charitable activities and donations.

2. Significant accounting policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

Principles of consolidation

The consolidated financial statements include the accounts of Wood's Homes Society and its wholly owned subsidiary, Wood's Homes. Intercompany balances and transactions are eliminated on consolidation. The Wood's Homes Foundation is also wholly-owned and controlled by the Society, but has not been consolidated in these consolidated financial statements (note 3).

Fund accounting

The Operating Fund accounts for Wood's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Fund reports the assets, liabilities, revenues and expenses related to Wood's capital assets, including rental income related to its capital assets.

Amounts due to/from funds are non-interest bearing with no repayment terms.

Revenue recognition

Wood's follows the deferral 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 expenses are incurred. Restricted contributions related to capital assets are recognized as revenue in the Capital Fund as the related capital assets are amortized.

Unrestricted contributions are recognized as revenue in the appropriate fund when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Cash and Cash Equivalents

Cash consists of cash on hand and balances with banks. Cash equivalents consist of short-term deposits with original maturities of less than three months.

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2021, with comparative information for 2020

2. Significant accounting policies (continued)

Revenue recognition (continued)

Contract, operating grants and fee for service revenues are recognized when the related service is provided.

Other income consists of rent income, investment income and one-time facility improvement funding and is recognized in the appropriate fund when earned or as related services are provided.

Use of estimates

The consolidated financial statements of Wood's have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require management to make assumptions and estimates that affect the reported amount of assets, liabilities, revenues and expenses. Actual amounts could differ from those estimates (note 12).

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 ("COVID-19") outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses in Calgary and area, resulting in an economic slowdown. Accordingly, economic uncertainties have arisen which could have negative impact on the Wood's revenue streams and funding.

Since the start of the pandemic, no funder has negatively adjusted funding levels as a direct result of the COVID-19 outbreak. Some funders provided additional funding to cover some of the additional costs incurred as a result of COVID-19. Management has assessed the financial impact of the COVID-19 pandemic and did not identify any significant impact on the consolidated financial statements of Wood's as at March 31, 2021.

While the disruption caused by COVID-19 is currently expected to be temporary, there is considerable uncertainty around its duration. The COVID-19 outbreak presents uncertainty over future cash flows, may cause significant changes to the valuation of Wood's assets or liabilities and may have a significant impact on its future operations. The ultimate duration and magnitude of the impact on the economy and the financial effect on Wood's future revenues, operating results and overall financial performance is not known at this time.

As at the reporting date, Wood's has determined that COVID-19 has had no impact on its accounting policies, contractual arrangements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. Wood's continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at March 31, 2021, Wood's continues to meet its contractual obligations within normal payment terms and Wood's exposure to credit risk remains largely unchanged.

Donated materials and services

Donated materials and services, including volunteer services, are not recognized in the consolidated financial statements.

Government assistance

Government assistance related to current expenses and revenues is included in the determination of excess of revenue over expenses for the year (note 18).

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2021, with comparative information for 2020

2. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution to the extent that fair value can be reasonably estimated. Amortization is recorded using the straight-line method over the following estimated useful lives:

Buildings	40 years
Paving and concrete	20 years
Equipment	10 years
Computers and audio visual equipment	3 years
Vehicles	3 years

Leasehold improvements are amortized over the life of the lease. Capital assets are assessed for indicators of impairment on an annual basis.

Intangible asset

The intangible asset consists of costs incurred to purchase the right to operate 100 contract foster care beds previously operated by another foster care provider and is recorded at cost less accumulated amortization. Amortization is recorded over the estimated useful life of 10 years on a straight-line basis. Intangible assets are assessed for indicators of impairment on an annual basis.

Pension plan

Wood's maintains a voluntary defined contribution pension plan for its employees. Wood's matches union employees' contributions up to 4% of their gross salary and contributes 5% to 10% of non-union employees' gross salary depending on their term of service. Pension contributions are expensed in period the employee worked and are included in salaries and benefits.

Financial instruments

Wood's initially measures financial assets and financial liabilities at their fair value. It subsequently measures its financial assets and financial liabilities at amortized cost. The financial assets include cash, cash equivalents, accounts receivable, and due to/from The Wood's Homes Foundation. The financial liabilities include accounts payable and accrued liabilities, and long-term debt.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there are any indicators of impairment, Wood's determines if there is a significant adverse change in the expected amount of the timing of future cash flows from the financial asset. If there is a significant adverse change in the timing of the future cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, or the amount the Wood's expects to realize by exercising its right to any collateral. If events and circumstances reverse in a current period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

Wood's Homes Society
Notes to Consolidated Financial Statements
March 31, 2021, with comparative information for 2020

3. The Wood's Homes Foundation

The Wood's Homes Foundation ("the Foundation") is a wholly owned subsidiary of Wood's Homes Society. The Foundation is a public foundation, the purpose of which is to advance the mission, goals and objectives of Wood's. The Foundation is a registered charity under the Canadian Income Tax Act.

The Foundation has not been consolidated in Wood's Homes Society's consolidated financial statements. Financial statements for the Foundation are available upon request. A financial summary for the Foundation as at December 31, 2020 and 2019 and for the years then ended are as follows:

The Wood's Homes Foundation
Statement of Financial Position
As at December 31,

	2020	2019
	\$	\$
Total assets	<u>10,084,886</u>	<u>9,240,522</u>
Total liabilities	<u>1,976,495</u>	<u>1,982,918</u>
Fund balances		
Unrestricted	2,428,895	1,929,172
Internally restricted	3,317,533	3,050,353
Externally restricted	2,239,230	2,155,346
Restricted for endowment	<u>122,733</u>	<u>122,733</u>
Total fund balances	<u>8,108,391</u>	<u>7,257,604</u>
	<u>10,084,886</u>	<u>9,240,522</u>

Statement of Operations
For the year ended December 31,

	2020	2019
	\$	\$
Total revenues	1,817,970	2,258,425
Total expenses	(838,120)	(1,164,767)
Total increase in value of investments	739,004	1,010,057
Total distributions to Wood's	<u>(868,067)</u>	<u>(845,203)</u>
Excess of revenue over expenses	<u>850,787</u>	<u>1,258,512</u>

Wood's Homes Society
Notes to Consolidated Financial Statements
March 31, 2021, with comparative information for 2020

3. The Wood's Homes Foundation (continued)

Statement of Cash Flows
For the year ended December 31,

	2020	2019
	\$	\$
Cash from operations	845,047	1,289,027
Cash used in financing and investing activities	(703,289)	(1,472,739)
Increase (decrease) in cash	141,758	(183,712)

4. Due to/from The Wood's Homes Foundation

Amounts to/due from The Wood's Homes Foundation are unsecured, non-interest bearing and due on demand.

5. Capital assets

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
	\$	\$	\$	\$
Land	4,689,983	-	4,689,983	4,714,983
Construction in progress	477,416	-	477,416	-
Buildings	27,551,264	9,405,588	18,145,676	18,808,651
Paving and concrete	552,509	193,378	359,131	386,757
Leasehold Improvements	1,170,534	1,167,541	2,993	39,590
Equipment	1,307,181	1,199,565	107,616	163,500
Computers and audio visual equipment	1,292,131	1,148,705	143,426	279,010
Vehicles	175,405	166,689	8,716	20,337
	37,216,423	13,281,466	23,934,957	24,412,828

6. Intangible asset

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
	\$	\$	\$	\$
Foster Care rights	256,250	235,750	20,500	51,250

In 2020, Wood's agreed to reduce the number of contract foster care beds to 80 and the carrying value of the intangible asset was adjusted accordingly.

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2021, with comparative information for 2020

7. Government remittances payable

Accounts payable and accrued liabilities includes government remittances consisting of payroll remittance amounts to be paid to government authorities of \$263,721 at March 31, 2021 (2020 - \$253,503).

8. Line of credit

Wood's has a demand revolving credit facility of \$1,500,000 (2020 – \$1,500,000) of which \$nil was drawn at March 31, 2021 (2020 – \$nil). The facility bears interest at the bank's prime rate plus 0.5% and is collateralized by a general security agreement over all property and assets.

9. Long-term debt

	<u>2021</u>	<u>2020</u>
	\$	\$
Mortgages payable	3,130,515	3,366,634
Less: Current portion	(119,690)	(109,590)
	<u>3,010,825</u>	<u>3,257,044</u>

Wood's has the following mortgages payable:

- a) A mortgage payable of \$2,236,137 (2020 – \$2,424,669) due to the Toronto-Dominion Bank. The mortgage bears interest at 4.08% per annum (2020 – 4.08%) and is repayable in monthly blended payments of principal and interest of \$13,260 (2020 – \$13,260). The mortgage matures December 28, 2023. During the year, \$93,829 (2020 – \$99,415) of interest expense was included in interest on long-term debt in the Capital Fund. Wood's has pledged the Inglewood property as collateral which has a carrying value of \$4,184,021 (2020 – \$4,254,231).
- b) A mortgage payable of \$420,093 (2020 – \$428,782) due to the Wood's Homes Foundation. The mortgage bears interest at 5.34% per annum (2020 – 5.34%) and is repayable in monthly blended payments of principal and interest of \$2,615 (2020 – \$2,615). The mortgage matures June 21, 2024. During the year, \$22,868 (2020 – \$17,312) of interest expense was included in interest on long-term debt in the Capital Fund. The mortgage is unsecured.
- c) A mortgage payable of \$241,031 (2020 – \$253,219) due to the Toronto-Dominion Bank. The mortgage bears interest at 3.2% per annum (2020 – 3.2%) and is repayable in monthly blended payments of principal and interest of \$1,676 (2020 - \$1,676). The mortgage matures April 1, 2021. During the year, \$7,925 (2020 – \$8,309) of interest expense was included in interest on long-term debt in the Capital Fund. Wood's has pledged a Calgary residential property as collateral which has a carrying value of \$358,394 (2020 - \$365,110). On April 1, 2021, the mortgage was renewed for an open period term with a floating interest rate of Toronto-Dominion Prime plus 0.5%. The monthly principal payments are \$1,332.
- d) A mortgage payable of \$233,254 (2020 – \$259,964) due to the Toronto-Dominion Bank. The mortgage bears interest at 4.75% per annum (2020 – 4.75%) and is repayable in monthly blended payments of principal and interest of \$3,207 (2020 – \$3,207). The mortgage matures May 1, 2023. During the year, \$11,779 (2020 – \$13,017) of interest expense was included in interest on long-term debt in the Capital Fund. Wood's has pledged the Lethbridge property as collateral which has a carrying value of \$639,357 (2020 – \$650,543).

Wood's Homes Society
Notes to Consolidated Financial Statements
March 31, 2021, with comparative information for 2020

9. Long-term debt (continued)

The minimum amounts of principal which will be repaid on mortgages are as follows:

	<u>\$</u>
2022	119,690
2023	124,844
2024	130,223
2025	135,837
2026	141,698
Thereafter	2,478,223

10. Leasehold inducement

On January 1, 2016, Wood's entered into a ten year lease expiring December 31, 2025 and received \$55,472 from the landlord to assist in paying for leasehold improvements. The leasehold inducement is amortized over the life of the lease.

On May 16, 2016, Wood's entered into a five year lease expiring May 15, 2021 and received \$84,000 from the landlord to assist in paying for leasehold improvements. The leasehold inducement is amortized over the life of the lease.

11. Deferred contributions

a) Operating fund

Deferred contributions in the operating fund represent externally restricted amounts received that have not been spent, including amounts restricted for the rent expenses of Eastside Community Mental Health Centre.

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance – beginning of year	21,029	2,947
Contributions received	85,477	76,874
Recognized as contribution revenue	(45,673)	(58,792)
	<u>60,833</u>	<u>21,029</u>

Wood's Homes Society
Notes to Consolidated Financial Statements
March 31, 2021, with comparative information for 2020

11. Deferred contributions (continued)

b) Capital fund

Deferred contributions in the Capital Fund represent the unamortized portion of restricted contributions which have been expended on Wood's capital assets.

Changes in deferred contributions in the Capital Fund are as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance – beginning of year	16,420,347	17,123,639
Contributions received	42,605	15,734
Recognized as contribution revenue	(660,566)	(719,026)
Balance – end of year	<u>15,802,386</u>	<u>16,420,347</u>

12. Contract revenues

Under the terms of the contracts with various funding agencies, excess funds received over specific operating expenditures as budgeted in Wood's funding applications may be repayable in the current or following year. Management estimates the amount that is likely to be repaid to the funding agencies and records this in accrued liabilities and as a reduction to contract revenues. The funding agencies may approve the retention of these funds for specified purposes, or may request the amount to be repaid. The actual amount retained or required to be repaid to funding agencies may differ from management's estimate as the calculation of excess funds is carried out by the funding agencies subsequent to year-end.

Any differences in the amounts recovered or paid from the amounts accrued are recorded in the year recovered as contract revenues or a reduction of contract revenues. As at March 31, 2021, \$1,197,229 (2020 – \$1,389,657) was recorded as the estimated amount repayable to funders.

13. Related party transactions

Transactions between the Foundation and Wood's occur in the normal course of operations and are recorded at the exchange amount.

During the year, Wood's recorded the following transactions with the Foundation:

- a) Recorded as revenue \$725,919 (2020 – \$747,899) from the Foundation to advance the mission, goals and objectives of the agency;
- b) Recorded principal and interest payments to the Foundation totalling \$31,378 (2020 - \$23,533) in respect of payment obligations on a long-term debt of \$435,000 issued in 2020; and,
- c) Recorded as additions to deferred contributions \$42,606 (2020 – \$15,734) received from the Foundation (note 12).

During the year, the Society provided executive support services and office rent to the Foundation for which no amount has been recorded in the consolidated financial statements (2020 - \$nil).

Wood's Homes Society
Notes to Consolidated Financial Statements
March 31, 2021, with comparative information for 2020

14. Net change in non-cash working capital

The net change in non-cash working capital balances related to operations consists of the following:

a) Operating Fund

	<u>2021</u>	<u>2020</u>
	\$	\$
(Increase) in accounts receivable	(337,702)	(104,826)
(Increase) in prepaid expenses	(222,552)	(152,075)
Decrease in Due from Wood's Homes Foundation	-	21,352
Increase in Due to Wood's Homes Foundation	132,065	-
(Decrease) increase in accounts payable and accrued liabilities	573,718	374,530
(Decrease) increase in deferred revenue	(497,042)	305,285
	<u>(351,513)</u>	<u>444,266</u>

b) Capital Fund

	<u>2021</u>	<u>2020</u>
	\$	\$
(Increase) decrease in accounts receivable	(62,340)	8,969
(Increase) in prepaid expenses	(4,345)	-
Increase in Due from Wood's Homes Foundation	-	(11,617)
Decrease in Due to Wood's Homes Foundation	11,617	-
Increase (decrease) in accounts payable and accrued liabilities	108,300	(27,272)
	<u>53,232</u>	<u>(29,920)</u>

15. Commitments and contingencies

The Society is committed to the following future payments under lease agreements:

	<u>\$</u>
2022	453,057
2023	315,256
2024	285,599
2025	276,673
2026	235,589

From time to time, the Society is subject to claims that arise in the ordinary course of operations. Liability for these claims, if any, is recorded to the extent that the probability of a loss is likely and is estimable.

During the year ended March 31, 2020, an employee of Wood's Homes was fatally wounded while on duty. Alberta Occupational Health and Safety is conducting an investigation and the Calgary Police Service has completed their investigation. At this time, it is not known whether this incident will result in any claim against Wood's, or whether there will be any financial impact. No provision for any claim has been made in these consolidated financial statements.

Wood's Homes Society

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16. Financial instruments

Wood's exposure to risks arising from financial instruments are outlined as follows:

Credit and interest rate risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Interest rate risk is the risk that interest rates on long-term debt on floating rates.

Wood's credit risk exposure relates to cash, cash equivalents and accounts receivable. Cash and cash equivalents are held with Canadian financial institutions, and accounts receivable is due from reputable funders and donors with no history of non-payment. Over 90% of Wood's long-term debt bears interest at fixed rates. Accordingly, management believes the Wood's exposure to credit risk and interest rate risk is not significant.

During the year, \$13,926 of interest income (2020 – \$63,087) in the Operating Fund and \$4,298 (2020 - \$14,937) in the Capital Fund was recorded in other income on the consolidated statement of operations and changes in fund balances.

Liquidity risk

Liquidity risk is the risk that Wood's will encounter difficulty in meeting obligations associated with financial liabilities.

Wood's mitigates its liquidity risk by keeping adequate cash resources on hand to meet all of its payment requirements. In addition, Wood's has arranged a line of credit to allow it to maintain its liquidity in unusual circumstances (note 8).

There have been no changes to Wood's risk exposure from 2020 other than the potential impact of COVID-19 as described in note 2.

17. Fundraising expenses

Section 7(2) of the Charitable Fund-raising Act of Alberta requires Wood's to disclose the expenses incurred for the purpose of soliciting contributions.

During the year, Wood's incurred:

- Remuneration to employees whose principal duties involve fund-raising: \$42,880 (2020 – \$43,417); and
- Direct expenses incurred for the purpose of soliciting contributions: \$3,308 (2020 – \$4,541).

18. Government assistance

The 10% Temporary Wage Subsidy for Employers ("TWS") was a three-month measure that allowed eligible employers to reduce the amount of payroll deductions they needed to remit to the Canada Revenue Agency ("CRA"). In 2021, Wood's received \$25,000 (2020 - \$nil) in accordance with the TWS program. The amount was recognized as a reduction in salary expense in the year. While qualifications and subsidy amounts may be subject to audit by the CRA, Wood's is confident with respect to its entitlement to the TWS received.

19. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

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20. Subsequent events

In March 2021, Wood's entered into an agreement to purchase a property in Calgary for the purposes of delivering a program. The conditions precedent were waived on March 31, 2021 and the transaction is expected to close on June 1, 2021. The purchase price is \$1.55 million and is financed by a \$1.163 million open-term mortgage with Toronto-Dominion Bank bearing interest at the bank's prime rate plus 0.5%. Wood's has pledged the acquired property as collateral.