

**Wood's Homes Foundation**  
**Financial Statements**  
**December 31, 2019**





KPMG LLP  
205 5th Avenue SW  
Suite 3100  
Calgary AB  
T2P 4B9  
Telephone (403) 691-8000  
Fax (403) 691-8008  
www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Wood's Homes Foundation:

### ***Opinion***

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

- the statement of financial position as at December 31, 2019;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the 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 financial position of the Entity as at December 31, 2019, and its results of operations and its 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 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 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.

*KPMG LLP*

Chartered Professional Accountants

Calgary, Canada

March 25, 2020

**The Wood's Homes Foundation**  
**Statement of Financial Position**  
**As at December 31, 2019, with comparative information for 2018**

					2019	2018
		Operating Fund	Legacy Fund	Restricted Fund	Total	Total
		\$	\$	\$	\$	\$
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents		1,117,546	-	-	1,117,546	1,301,258
Accounts receivable		5,479	-	-	5,479	3,768
Prepaid expenses		1,935	-	-	1,935	32,978
Current portion of mortgage receivable	(note 4, 10)	8,577	-	-	8,577	-
Due from Wood's Homes Society	(note 5, 10)	2,304	-	-	2,304	-
		<u>1,135,841</u>	<u>-</u>	<u>-</u>	<u>1,135,841</u>	<u>1,338,004</u>
<b>Mortgage receivable</b>	(note 4, 10)	422,303	-	-	422,303	-
<b>Due to/from Foundation Funds</b>		167,913	(14,861)	(153,052)	-	-
<b>Investments</b>	(note 3)	2,186,033	3,065,214	2,431,131	7,682,378	6,707,133
		<u>3,912,090</u>	<u>3,050,353</u>	<u>2,278,079</u>	<u>9,240,522</u>	<u>8,045,137</u>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities		48,189	-	-	48,189	67,747
Due to Wood's Homes	(note 5, 10)	102,434	-	-	102,434	166,744
Deferred contributions	(note 6)	539,413	-	-	539,413	655,860
		<u>690,036</u>	<u>-</u>	<u>-</u>	<u>690,036</u>	<u>890,351</u>
<b>Deferred contributions</b>	(note 6)	1,292,882	-	-	1,292,882	1,155,694
		<u>1,982,918</u>	<u>-</u>	<u>-</u>	<u>1,982,918</u>	<u>2,046,045</u>
<b>Fund balances</b>						
Unrestricted		1,929,172	-	-	1,929,172	1,223,944
Internally restricted	(note 7)	-	3,050,353	-	3,050,353	2,672,626
Externally restricted	(note 8)	-	-	2,155,346	2,155,346	1,979,789
Restricted for endowment	(note 9)	-	-	122,733	122,733	122,733
		<u>1,929,172</u>	<u>3,050,353</u>	<u>2,278,079</u>	<u>7,257,604</u>	<u>5,999,092</u>
		<u>3,912,090</u>	<u>3,050,353</u>	<u>2,278,079</u>	<u>9,240,522</u>	<u>8,045,137</u>

**Commitments** (note 9)

**Subsequent event** (note 14)

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

Signed on behalf of the Board of Directors

  
 \_\_\_\_\_  
 Director

  
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 Director

**The Wood's Homes Foundation**  
**Statement of Operations and Changes in Fund Balances**  
**For the year ended December 31, 2019, with comparative information for 2018**

				<b>2019</b>	<b>2018</b>
	<b>Operating Fund</b>	<b>Legacy</b>	<b>Restricted Fund</b>	<b>Total</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>					
Contributions	1,548,865	-	24,726	1,573,591	1,508,704
Event revenue	684,156	-	-	684,156	685,220
Other income	678	-	-	678	712
	<u>2,233,699</u>	<u>-</u>	<u>24,726</u>	<u>2,258,425</u>	<u>2,194,636</u>
<b>Expenses</b>					
Salaries and wages	468,312	-	-	468,312	436,463
Event expenses	349,837	-	-	349,837	342,344
Restricted fund distributions	-	-	156,826	156,826	155,284
General and administrative	87,953	17,584	14,719	120,256	111,715
Consultants	39,014	-	-	39,014	11,226
Advertising and promotion	27,020	-	-	27,020	42,246
Facility expenses	3,502	-	-	3,502	3,857
	<u>975,638</u>	<u>17,584</u>	<u>171,545</u>	<u>1,164,767</u>	<u>1,103,135</u>
<b>Excess (deficiency) of revenue over expenses from operations</b>					
	1,258,061	(17,584)	(146,819)	1,093,658	1,091,501
Investment income (note 10c)	112,918	118,189	90,416	321,523	334,463
Net change in fair market value of investments	179,452	277,122	231,960	688,534	(427,042)
	<u>292,370</u>	<u>395,311</u>	<u>322,376</u>	<u>1,010,057</u>	<u>(92,579)</u>
<b>Excess of revenue over expenses before the following</b>					
	<u>1,550,431</u>	<u>377,727</u>	<u>175,557</u>	<u>2,103,715</u>	<u>998,922</u>
Distribution of funds to Wood's Homes Society (note 8, 10)	6,911	-	-	6,911	373,330
Distribution of funds to Wood's Homes (note 7, 10)	838,292	-	-	838,292	754,113
	<u>845,203</u>	<u>-</u>	<u>-</u>	<u>845,203</u>	<u>1,127,443</u>
<b>Excess (deficiency) of revenue over expenses</b>					
	705,228	377,727	175,557	1,258,512	(128,521)
<b>Fund balances - beginning of year</b>					
	<u>1,223,944</u>	<u>2,672,626</u>	<u>2,102,522</u>	<u>5,999,092</u>	<u>6,127,613</u>
<b>Fund balances - end of year</b>					
	<u>1,929,172</u>	<u>3,050,353</u>	<u>2,278,079</u>	<u>7,257,604</u>	<u>5,999,092</u>

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

# The Wood's Homes Foundation

## Statement of Cash Flows

For the year ended December 31, 2019, with comparative information for 2018

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses of the operating, legacy and restricted funds	1,258,512	(128,521)
Items not affecting cash		
Net change in deferred contributions	20,741	(205,220)
	<u>1,279,253</u>	<u>(333,741)</u>
Net change in non-cash working capital affecting operations (note 11)	9,774	30,421
	<u>1,289,027</u>	<u>(303,320)</u>
<b>Investing activities</b>		
Advance of Mortgage receivable, net of repayment	(430,880)	-
Change in investments	(975,245)	106,271
	<u>(1,406,125)</u>	<u>106,271</u>
<b>Financing activities</b>		
Change in due to/from Wood's Homes Society	(2,304)	(15,148)
Change in due to/from Wood's Homes	(64,310)	223,242
	<u>(66,614)</u>	<u>208,094</u>
<b>(Decrease) increase in cash and cash equivalents</b>	(183,712)	11,045
<b>Cash and cash equivalents - beginning of year</b>	<u>1,301,258</u>	<u>1,290,213</u>
<b>Cash and cash equivalents - end of year</b>	<u>1,117,546</u>	<u>1,301,258</u>
<b>Cash and cash equivalents consist of:</b>		
Cash	1,117,546	551,258
Term deposits	-	750,000
	<u>1,117,546</u>	<u>1,301,258</u>

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

# The Wood's Homes Foundation

## Notes to the Financial Statements

For the year ended December 31, 2019 with comparative information for the year ended December 31, 2018

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### 1. Nature of the organization

Wood's Christian Homes Endowment Fund Trust (the "Trust") was established on April 24, 1990 as a public foundation under the Alberta Companies Act with funds contributed by Wood's Homes Society. On November 6, 2000 the Trust was restructured as a not-for-profit corporation under the name The Wood's Homes Foundation (the "Foundation"). The purpose of the Foundation is to advance the mission, goals and objectives of Wood's Homes Society (the "Society") and Wood's Homes ("Wood's"). The Foundation has a separate independent Board of Directors. The Foundation may contribute an annual amount to the Society and/or Wood's on approval by the Foundation's Board of Directors.

The Foundation is a wholly owned subsidiary of the Society.

The Foundation has been registered as a charity under the Canadian Income Tax Act, and therefore, is exempt from tax.

### 2. Accounting policies

#### Basis of accounting

The 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.

#### Fund accounting

The Operating Fund reports the administrative and fundraising activities of the Foundation, including unrestricted contributions. This fund uses the deferral method of accounting for contributions.

The Legacy Fund reflects transactions and balances related to amounts set apart from operations for the purpose of growth. This fund uses the restricted fund method of accounting for contributions.

The Restricted Fund reflects transactions and balances related to the Foundation's endowment funds and other externally restricted contributions, as described in Notes 8 and 9. This fund uses the restricted fund method of accounting for contributions.

#### Revenue recognition

Restricted contributions, bequests and endowment contributions are recognized as revenue of the appropriate restricted fund when received, or if no appropriate restricted fund exists, they are recognized in the Operating Fund as revenue when the related expenditures are incurred. Unrestricted contributions are recognized as revenue of the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted investment income is recognized as revenue in the fund in which it is earned. Unrestricted investment income is recognized as revenue in the Operating Fund. Event revenue is recognized in the Operating Fund when received or receivable and the event has occurred.



# **The Wood's Homes Foundation**

## **Notes to the Financial Statements**

**For the year ended December 31, 2019 with comparative information for the year ended December 31, 2018**

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### **2. Accounting policies (continued)**

#### **Use of estimates**

The financial statements of the Foundation 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.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash and short-term investments that have maturity dates of less than 90 days when purchased, are readily convertible to known amounts of cash and are subject to insignificant risk of change of value.

#### **Investments**

The Foundation carries its investments at fair market value. Unrealized gains or losses on investments are reflected in the statement of operations.

#### **Donated materials and services**

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

#### **Financial instruments**

The Foundation initially measures financial assets and financial liabilities at their fair value. It subsequently measures its financial assets and financial liabilities at amortized cost, other than investments which are reported at fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents, accounts receivable, due from Wood's Homes Society and the mortgage receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and due to Wood's Homes.

#### **Comparative figures**

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

# The Wood's Homes Foundation

## Notes to the Financial Statements

For the year ended December 31, 2019 with comparative information for the year ended December 31, 2018

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### 3. Investments

The Foundation's investments are professionally managed by an independent investment manager. Investments are comprised of 100% managed funds.

### 4. Mortgage receivable

In June 2019, the Foundation loaned the Society, a related party, \$435,000 to finance the purchase of property to be used in regular programming. The mortgage is unsecured and is amortized over twenty five years with an initial five year term bearing an interest rate of 5.34% per annum.

### 5. Due to/from Wood's Homes and Wood's Homes Society

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

### 6. Deferred contributions

Deferred contributions represent externally restricted amounts received that have not been spent. These amounts are restricted for various programs at Wood's Homes.

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance – beginning of year	1,811,554	2,016,774
Contributions received	704,374	517,878
Recognized as contribution revenue	(683,633)	(723,098)
	<u>1,832,295</u>	<u>1,811,554</u>
Less: Current portion	(539,413)	(655,860)
Balance – end of year	<u>1,292,882</u>	<u>1,155,694</u>

### 7. Internally restricted fund balances

The internally restricted fund balance in the Legacy Fund is restricted by the Board of Directors for use in future major projects. During the year \$nil (2018 – \$13,773) was distributed to Wood's for the organization's website development.

# The Wood's Homes Foundation

## Notes to the Financial Statements

For the year ended December 31, 2019 with comparative information for the year ended December 31, 2018

### 8. Externally restricted fund balances

	2018	Donations	Investment Income	Amortization of funds	2019
	\$	\$	\$	\$	\$
Endowment Fund Earnings	59,406	-	18,986	(976)	77,416
Taylor Educational Fund	401,958	-	57,105	(1,000)	458,063
Perry Crisis/Opportunity Fund	30,539	-	3,940	(4,851)	29,628
Therapyship Fund	12,172	-	-	-	12,172
Knowledge House Fund	75,808	443	10,805	-	87,056
Bowness Expansion Fund	38,628	-	6,120	-	44,748
Bowness Cottage Replacement Fund	94	-	17	-	111
Inglewood Building Fund	77,652	28,130	13,429	(3,848)	115,363
Research Chair Fund	1,283,532	-	197,257	(150,000)	1,330,789
	<u>1,979,789</u>	<u>28,573</u>	<u>307,659</u>	<u>(160,675)</u>	<u>2,155,346</u>

	2017	Donations	Investment Income	Amortization of funds	2018
	\$	\$	\$	\$	\$
Endowment Fund Earnings	62,204	-	(2,798)	-	59,406
Taylor Educational Fund	414,586	-	(8,436)	(4,192)	401,958
Perry Crisis/Opportunity Fund	32,271	-	(639)	(1,093)	30,539
Therapyship Fund	12,172	-	-	-	12,172
Knowledge House Fund	75,988	1,443	(1,623)	-	75,808
Bowness Expansion Fund	-	40,150	(1,372)	(150)	38,628
Bowness Cottage Replacement Fund	10,000	-	42	(9,948)	94
Inglewood Building Fund	103,083	140,136	(2,335)	(163,232)	77,652
Research Chair Fund	1,461,177	-	(27,645)	(150,000)	1,283,532
	<u>2,171,481</u>	<u>181,729</u>	<u>(44,806)</u>	<u>(328,615)</u>	<u>1,979,789</u>

Endowment Fund Earnings are comprised of the accumulated investment income on endowment funds that is restricted for distribution. (Note 9)

The Taylor Educational Fund, including related capital growth and investment income earned was transferred from Wood's on March 31, 2004 and is restricted to further the education of past and present residents of Wood's Homes.

The Perry Crisis/Opportunity Fund was transferred from Wood's on March 31, 2004 and is a resource for individuals closely associated with Wood's Homes who find themselves in critical economic circumstances that threaten their career stability or continuation in a treatment program.

# The Wood's Homes Foundation

## Notes to the Financial Statements

For the year ended December 31, 2019 with comparative information for the year ended December 31, 2018

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### 8. Externally restricted fund balances (continued)

The Therapyship Fund was established in 2004 to support the therapy and counselling program of the Eastside Family Centre.

The Knowledge House Fund was established to support research, training and development for ideas and programs focused on the mission of Wood's Homes.

The Bowness Expansion and Bowness Cottage Replacement Funds are restricted for the purpose of construction on the Bowness campus.

The Inglewood Building Fund is restricted for the purpose of purchasing and renovating a property located in Inglewood.

The Research Chair Fund is restricted for the purpose of funding a research chair in partnership with the University of Calgary. The Foundation has committed to provide \$150,000 per year until 2026 to the University of Calgary to fund the research chair.

Distributions to Wood's Homes Society are comprised of distributions from the Bowness Expansion and Bowness Cottage Replacement Funds and the Inglewood Building Fund.

### 9. Restricted for endowment

Funds restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained in perpetuity. Investment income earned is not restricted and is reported in Note 8.

	<u>2019</u>	<u>2018</u>
	\$	\$
General Endowment	48,554	48,554
Career/Vocational Advancement Fund	28,406	28,406
Calgary Breakfast Club Educational Opportunities Fund	23,782	23,782
Arts/Music	8,650	8,650
Terry Steward – Lend a Hand Fund	7,559	7,559
Family Office Foundation Fund	5,782	5,782
	<u>122,733</u>	<u>122,733</u>

# The Wood's Homes Foundation

## Notes to the Financial Statements

For the year ended December 31, 2019 with comparative information for the year ended December 31, 2018

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### 10. Related party transactions

The Foundation and Wood's are wholly owned subsidiaries of the Society.

Transactions between the Foundation, the Society and Wood's are recorded in the normal course of operations and at the exchange amount described below.

During the year, the Foundation recorded the following transactions with the Society:

- a) Recorded a contribution of \$6,911 (2018 - \$373,330) to the Society to advance the mission, goals and objectives of Wood's and the Society;
- b) Advanced a mortgage of \$435,000 to the Society to finance the purchase of property to be used in a residential program; and
- c) Earned Investment income of \$11,569 (\$2018 - nil) on the interest on the mortgage to the Society.

During the year, the Foundation contributed \$838,292 (2018 - \$754,113) to Wood's Homes to advance the mission, goals and objectives of the Wood's Homes.

During the year, Wood's provided executive support services and office rent for which no amount has been recorded in the statements (2018 - \$nil).

### 11. Net change in non-cash working capital

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

	<u>2019</u>	<u>2018</u>
	\$	\$
(Increase) decrease in accounts receivable	(1,711)	318
Decrease in prepaid expenses	31,043	6,965
(Decrease) increase in accounts payable and accrued liabilities	(19,558)	23,138
	<u>9,774</u>	<u>30,421</u>

### 12. Financial instruments

#### Credit and interest rate risk

The Foundation's credit risk exposure relates to cash and cash equivalents, accounts receivable, mortgage receivable and amounts due from Wood's Homes. Management believes the Foundation's exposure to credit risk and interest risk is not significant since the mortgage receivable bears interest at a fixed rate. Cash and cash equivalents are deposited with reputable Canadian commercial banks.

# The Wood's Homes Foundation

## Notes to the Financial Statements

For the year ended December 31, 2019 with comparative information for the year ended December 31, 2018

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### 12. Financial instruments (continued)

#### Price and interest rate risk

The investments of the Foundation are subject to price risk because changing interest rates impact the market value of the fixed rate investments, general economic conditions affect the market value of equity investments and currency exchange rate changes impact the market value of the investments denominated in currencies other than the Canadian dollar.

The risk is mitigated through the use of an investment manager for the long-term portfolio investments and by investing other funds in short-term fixed rate products with high credit ratings.

#### Liquidity risk

The Foundation uses an investment manager for the investments it plans to hold for a long period of time. These investments are subject to liquidity risk if the Foundation is required to sell at a time that the market for the investments is unfavourable. Liquidity risk is the risk that the Foundation encounters difficulty in meeting its obligations associated with its financial liabilities. Liquidity risk arises from accounts payable and accrued liabilities. The Foundation maintains sufficient cash, investments, and sources of liquidity to discharge and manage its financial liabilities.

### 13. Fundraising expenses

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

During the year, the Foundation incurred:

- Remuneration to employees whose principal duties involve fund-raising: \$227,834 (2018 - \$156,318); and
- Direct expenses incurred for the purpose of soliciting contributions: \$42,274 (2018 - \$46,342).

### 14. Subsequent event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Foundation has experienced temporary declines in the fair value of investments. As a precautionary measure, the Foundation has implemented mandatory working from home requirements for all staff.

The COVID-19 outbreak presents uncertainty over future cash flows and investment income, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.