

**Wood's Homes Foundation**  
**Financial Statements**  
**December 31, 2017**





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

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the Wood's Homes Foundation, which comprise the statement of financial position as at December 31, 2017, the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Wood's Homes Foundation as at December 31, 2017, 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are written in a cursive, slightly slanted style.

Chartered Professional Accountants


March 22, 2018  
Calgary, Canada


**The Wood's Homes Foundation**  
**Statement of Financial Position**  
**As at December 31, 2017, with comparative information for 2016**

					2017	2016
		Operating Fund	Legacy Fund	Restricted Fund	Total	Total
		\$	\$	\$	\$	\$
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents		1,290,213	-	-	1,290,213	2,885,250
Accounts receivable		4,086	-	-	4,086	4,845
Prepaid expenses		39,943	-	-	39,943	26,635
Due from Wood's Homes	(note 4, 10)	56,498	-	-	56,498	-
Asset held for resale		-	-	-	-	174,292
		<u>1,390,740</u>	<u>-</u>	<u>-</u>	<u>1,390,740</u>	<u>3,091,022</u>
<b>Investments</b>	(note 3)	<u>1,778,293</u>	<u>2,740,897</u>	<u>2,294,214</u>	<u>6,813,404</u>	<u>4,884,816</u>
		<u>3,169,033</u>	<u>2,740,897</u>	<u>2,294,214</u>	<u>8,204,144</u>	<u>7,975,838</u>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities		44,609	-	-	44,609	46,262
Due to Wood's Homes Society	(note 4, 10)	15,148	-	-	15,148	873
Due to Wood's Homes	(note 4, 10)	-	-	-	-	4,907
Deferred contributions	(note 6)	888,450	-	-	888,450	505,700
		<u>948,207</u>	<u>-</u>	<u>-</u>	<u>948,207</u>	<u>557,742</u>
<b>Long-term due to Wood's Homes Society</b>	(note 5, 10)	-	-	-	-	774,388
<b>Deferred contributions</b>	(note 6)	<u>1,128,324</u>	<u>-</u>	<u>-</u>	<u>1,128,324</u>	<u>1,643,322</u>
		<u>2,076,531</u>	<u>-</u>	<u>-</u>	<u>2,076,531</u>	<u>2,975,452</u>
<b>Fund balances</b>						
Unrestricted		1,092,502	-	-	1,092,502	711,464
Internally restricted	(note 7)	-	2,740,897	-	2,740,897	2,594,489
Externally restricted	(note 8)	-	-	2,171,481	2,171,481	1,571,700
Restricted for endowment	(note 9)	-	-	122,733	122,733	122,733
		<u>1,092,502</u>	<u>2,740,897</u>	<u>2,294,214</u>	<u>6,127,613</u>	<u>5,000,386</u>
		<u>3,169,033</u>	<u>2,740,897</u>	<u>2,294,214</u>	<u>8,204,144</u>	<u>7,975,838</u>
<b>Commitments</b>	(note 8)					

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

Signed on behalf of the Board of Directors

  
 Director

  
 Director

**The Wood's Homes Foundation**  
**Statement of Operations and Changes in Fund Balances**  
**For the year ended December 31, 2017, with comparative information for 2016**

	<b>Operating Fund</b>	<b>Legacy</b>	<b>Restricted Fund</b>	<b>2017 Total</b>	<b>2016 Total</b>
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Contributions	1,684,673	-	1,183,727	2,868,400	2,375,782
Event revenue	688,706	-	-	688,706	323,840
Investment income	96,926	122,897	79,948	299,771	249,593
Net change in fair market value of investments	(6,378)	88,483	51,530	133,635	(38,374)
Other income	1,762	-	-	1,762	7,011
	<u>2,465,689</u>	<u>211,380</u>	<u>1,315,205</u>	<u>3,992,274</u>	<u>2,917,852</u>
<b>Expenses</b>					
Salaries and wages	345,854	-	-	345,854	309,840
Event expenses	268,086	-	-	268,086	180,790
Restricted fund distributions	-	-	156,836	156,836	9,209
General and administrative	95,051	16,877	11,728	123,656	98,106
Interest on long-term due to Wood's Homes Society (note 5, 10)	65,686	-	-	65,686	31,205
Advertising and promotion	40,608	-	-	40,608	41,491
Consultants	22,496	-	-	22,496	11,521
Facility expenses	4,175	-	-	4,175	7,447
Amortization and impairment loss	-	-	-	-	54,833
	<u>841,956</u>	<u>16,877</u>	<u>168,564</u>	<u>1,027,397</u>	<u>744,442</u>
<b>Excess of revenue over expenses before the following</b>	<u>1,623,733</u>	<u>194,503</u>	<u>1,146,641</u>	<u>2,964,877</u>	<u>2,173,410</u>
<b>Distribution of funds to Wood's Homes Society</b> (note 7, 10)	446,578	-	546,860	993,438	1,816,105
<b>Distribution of funds to Wood's Homes</b> (note 7, 10)	796,117	48,095	-	844,212	497,880
	<u>1,242,695</u>	<u>48,095</u>	<u>546,860</u>	<u>1,837,650</u>	<u>2,313,985</u>
<b>Excess (deficiency) of revenue over expenses</b>	381,038	146,408	599,781	1,127,227	(140,575)
<b>Fund balances - beginning of year</b>	<u>711,464</u>	<u>2,594,489</u>	<u>1,694,433</u>	<u>5,000,386</u>	<u>5,140,961</u>
<b>Fund balances - end of year</b>	<u>1,092,502</u>	<u>2,740,897</u>	<u>2,294,214</u>	<u>6,127,613</u>	<u>5,000,386</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, 2017, with comparative information for 2016

	<u>2017</u>	<u>2016</u>
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses of the operating, legacy and restricted funds	1,127,227	675,378
Items not affecting cash		
Net change in fair market value of investments	(133,635)	38,374
Donated investments	(37,467)	(28,268)
Net change in deferred contributions	(132,248)	656,722
Amortization and impairment loss of capital asset in restricted fund	-	54,833
	<u>823,877</u>	<u>1,397,039</u>
Net change in non-cash working capital affecting operations (note 11)	(14,202)	(23,978)
	<u>809,675</u>	<u>1,373,061</u>
<b>Investing activities</b>		
Proceeds on sale of asset held for resale	174,292	-
Change in investments	(1,757,486)	(210,807)
	<u>(1,583,194)</u>	<u>(210,807)</u>
<b>Financing activities</b>		
Change in due to Wood's Homes Society	(760,113)	74,133
Change in due to/from Wood's Homes	(61,405)	(79,124)
	<u>(821,518)</u>	<u>(4,991)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	(1,595,037)	1,157,263
<b>Cash and cash equivalents - beginning of year</b>	<u>2,885,250</u>	<u>1,727,987</u>
<b>Cash and cash equivalents - end of year</b>	<u>1,290,213</u>	<u>2,885,250</u>
<b>Cash and cash equivalents consist of:</b>		
Cash	1,290,213	585,250
Term deposits	-	2,300,000
	<u>1,290,213</u>	<u>2,885,250</u>

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

# **The Wood's Homes Foundation**

## **Notes to the Financial Statements**

### **December 31, 2017, with comparative information for 2016**

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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 Wood's Homes Foundation is a wholly owned subsidiary of Wood's Homes 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 Note 8. 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**

### **December 31, 2017, with comparative information for 2016**

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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 and due from Wood's Homes. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and due to Wood's Homes Society.

##### **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**  
**December 31, 2017, with comparative information for 2016**

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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. Due from/to Wood's Homes and Wood's Homes Society**

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

**5. Long-term due to Wood's Homes Society**

The total long-term amount due to Wood's Homes Society bears interest at the same rate of return earned on the Foundation's investment portfolio, with no repayment terms and is unsecured. During the year, interest expense of \$65,686 (2016 – \$31,205) was recognized on the Statement of Operations. The full amount due to Wood's Homes Society was repaid during fiscal 2017.

**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>2017</u>	<u>2016</u>
	\$	\$
Balance – beginning of year	2,149,022	1,492,300
Contributions received	995,906	1,057,257
Recognized as contribution revenue	<u>(1,128,154)</u>	<u>(400,535)</u>
	2,016,774	2,149,022
Less: Current portion	<u>(888,450)</u>	<u>(505,700)</u>
Balance – end of year	<u>1,128,324</u>	<u>1,643,322</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 \$48,095 (2016 – \$nil) was distributed to Wood's for the organization's website development.

**The Wood's Homes Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017, with comparative information for 2016**

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**8. Externally restricted fund balances**

	2016	Donations	Investment Income	Distributions and Amortization	2017
	\$	\$	\$	\$	\$
Endowment Fund Earnings	53,017	-	9,187	-	62,204
Taylor Educational Fund	388,349	-	27,973	(1,736)	414,586
Perry Crisis/Opportunity Fund	34,998	-	2,373	(5,100)	32,271
Therapyship Fund	12,172	-	-	-	12,172
Knowledge House Fund	69,094	1,817	5,077	-	75,988
Bowness Expansion Fund	-	546,860	-	(546,860)	-
Bowness Cottage Replacement Fund	-	10,000	-	-	10,000
Inglewood Building Fund	-	100,000	3,083	-	103,083
Research Chair Fund	1,014,070	525,050	72,057	(150,000)	1,461,177
	<u>1,571,700</u>	<u>1,183,727</u>	<u>119,750</u>	<u>(703,696)</u>	<u>2,171,481</u>

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

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.

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 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.

**The Wood's Homes Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017, with comparative information for 2016**

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**9. Restricted for endowment**

Funds restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained in perpetuity.

	<u>2017</u>	<u>2016</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>

**10. Related party transactions**

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

Transactions between the Foundation, Wood's Homes Society and Wood's Homes are recorded in the normal course of operations and at the exchange amount as follows:

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

- a) Recorded a contribution of \$993,438 (2016 - \$1,816,105) to Wood's Homes Society to advance the mission, goals and objectives of the agency; and
- b) Incurred interest expense of \$65,686 (2016 – \$31,205) on the long-term amount due to Wood's Homes Society.

During the year, the Foundation contributed \$844,212 (2016 - \$497,880) to Wood's Homes to advance the mission, goals and objectives of the Wood's Homes.

During the year, Wood's Homes provided executive support services and office rent for which no amount has been recorded in the statements (2016 - \$nil).

**The Wood's Homes Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017, with comparative information for 2016**

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**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>2017</u>	<u>2016</u>
	\$	\$
Decrease in accounts receivable	759	4,203
Increase in prepaid expenses	(13,308)	(1,657)
Decrease in accounts payable and accrued liabilities	(1,653)	(26,524)
	<u>(14,202)</u>	<u>(23,978)</u>

**12. Financial instruments**

**Credit and interest rate risk**

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

**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: \$143,312 (2016 - \$134,864); and
- Direct expenses incurred for the purpose of soliciting contributions: \$34,814 (2016 - \$23,195).