

Wood's Homes Foundation
Financial Statements
December 31, 2016





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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, 2016, 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, 2016, 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.

Comparative Information

The financial statements of the Wood's Homes Foundation as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 19, 2016.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are stylized and connected, with a prominent 'K' and 'L'.

Chartered Professional Accountants

May 16, 2017
Calgary, Canada

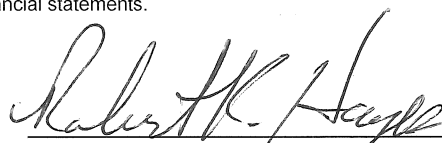
The Wood's Homes Foundation
Statement of Financial Position
As at December 31, 2016, with comparative information for 2015

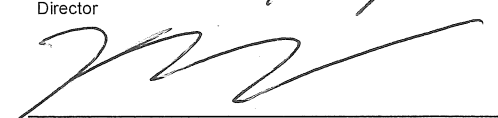
				2016	2015				
				Operating Fund	Legacy Fund	Capital Fund	Restricted Fund	Total	Total
				\$	\$	\$	\$	\$	\$
Assets									
Current assets									
Cash and cash equivalents				2,885,250	-	-	-	2,885,250	1,727,987
Accounts receivable				4,845	-	-	-	4,845	9,048
Prepaid expenses				26,635	-	-	-	26,635	24,978
Asset held for resale	(note 3)			-	-	-	174,292	174,292	-
				<u>2,916,730</u>	<u>-</u>	<u>-</u>	<u>174,292</u>	<u>3,091,022</u>	<u>1,762,013</u>
Investments	(note 4)			770,186	2,594,489	-	1,520,141	4,884,816	4,684,115
Capital assets	(note 5)			-	-	-	-	-	1,125,584
				<u>3,686,916</u>	<u>2,594,489</u>	<u>-</u>	<u>1,694,433</u>	<u>7,975,838</u>	<u>7,571,712</u>
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities				46,262	-	-	-	46,262	72,786
Due to Wood's Homes Society	(note 6, 12)			873	-	-	-	873	38,451
Due to Wood's Homes	(note 6, 12)			4,907	-	-	-	4,907	84,031
				<u>52,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,042</u>	<u>195,268</u>
Long-term due to Wood's Homes Society	(note 7, 12)			774,388	-	-	-	774,388	743,183
Deferred contributions	(note 8)			2,149,022	-	-	-	2,149,022	1,492,300
				<u>2,975,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,975,452</u>	<u>2,430,751</u>
Fund balances									
Unrestricted				711,464	-	-	-	711,464	243,801
Invested in capital assets				-	-	-	-	-	815,953
Internally restricted	(note 9)			-	2,594,489	-	-	2,594,489	2,504,006
Externally restricted	(note 10)			-	-	-	1,571,700	1,571,700	1,454,968
Restricted for endowment	(note 11)			-	-	-	122,733	122,733	122,233
				<u>711,464</u>	<u>2,594,489</u>	<u>-</u>	<u>1,694,433</u>	<u>5,000,386</u>	<u>5,140,961</u>
				<u>3,686,916</u>	<u>2,594,489</u>	<u>-</u>	<u>1,694,433</u>	<u>7,975,838</u>	<u>7,571,712</u>

Subsequent event (note 3)

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, 2016, with comparative information for 2015

	Operating Fund	Legacy	Capital Fund	Restricted Fund	2016 Total	2015 Total
	\$	\$	\$	\$	\$	\$
Revenue						
Contributions	1,351,030	-	-	1,024,752	2,375,782	1,822,879
Event revenue	323,840	-	-	-	323,840	462,384
Investment income	59,265	127,564	-	62,764	249,593	323,981
Rental income	6,100	-	-	-	6,100	122,232
Other income	911	-	-	-	911	1,265
	<u>1,741,146</u>	<u>127,564</u>	<u>-</u>	<u>1,087,516</u>	<u>2,956,226</u>	<u>2,732,741</u>
Expenses						
Salaries and wages	309,840	-	-	-	309,840	372,765
Event expenses	180,790	-	-	-	180,790	185,473
General and administrative	72,535	16,622	-	8,949	98,106	122,636
Amortization and impairment loss (note 3)	-	-	-	54,833	54,833	30,409
Advertising and promotion	41,491	-	-	-	41,491	38,810
Net change in fair market value of investments	10,162	20,459	-	7,753	38,374	(118,445)
Interest on long term due to Wood's Homes Society (note 7)	31,205	-	-	-	31,205	73,263
Consultants	11,521	-	-	-	11,521	26,433
Education and other	-	-	-	9,209	9,209	10,999
Facility expenses	7,447	-	-	-	7,447	10,124
	<u>664,991</u>	<u>37,081</u>	<u>-</u>	<u>80,744</u>	<u>782,816</u>	<u>752,467</u>
Excess of revenue over expenses before the following	<u>1,076,155</u>	<u>90,483</u>	<u>-</u>	<u>1,006,772</u>	<u>2,173,410</u>	<u>1,980,274</u>
Distribution of funds to Wood's Homes Society	110,612	-	815,953	889,540	1,816,105	845,525
Distribution of funds to Wood's Homes	497,880	-	-	-	497,880	715,077
	<u>608,492</u>	<u>-</u>	<u>815,953</u>	<u>889,540</u>	<u>2,313,985</u>	<u>1,560,602</u>
Excess (deficiency) of revenue over expenses	467,663	90,483	(815,953)	117,232	(140,575)	419,672
Fund balances - beginning of year	243,801	2,504,006	815,953	1,577,201	5,140,961	4,721,289
Fund balances - end of year	<u>711,464</u>	<u>2,594,489</u>	<u>-</u>	<u>1,694,433</u>	<u>5,000,386</u>	<u>5,140,961</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, 2016, with comparative information for 2015

	<u>2016</u>	<u>2015</u>
	<u>Total</u>	<u>Total</u>
	\$	\$
Operating activities		
Excess of revenue over expenses of the operating, legacy and restricted funds	675,378	444,206
Items not affecting cash		
Net change in fair market value of investments	38,374	(118,243)
Donated investments	(28,268)	(15,102)
Amortization and impairment loss of capital asset in restricted fund	54,833	5,875
	<u>740,317</u>	<u>316,736</u>
Net change in non-cash working capital affecting operations (note 13)	632,744	141,695
	<u>1,373,061</u>	<u>458,431</u>
Investing activities		
Change in investments	(210,807)	(788,472)
Receipts on mortgage receivable	-	168,750
	<u>(210,807)</u>	<u>(619,722)</u>
Financing activities		
Increase in due to Wood's Homes Society	74,133	27,869
(Decrease) increase in due to Wood's Homes	(79,124)	70,434
Payments on mortgage payable	-	(222,765)
	<u>(4,991)</u>	<u>(124,462)</u>
Increase (decrease) in cash and cash equivalents	1,157,263	(285,753)
Cash and cash equivalents - beginning of year	<u>1,727,987</u>	<u>2,013,740</u>
Cash and cash equivalents - end of year	<u>2,885,250</u>	<u>1,727,987</u>
Cash and cash equivalents consist of:		
Cash	585,250	727,987
Term deposits	2,300,000	1,000,000
	<u>2,885,250</u>	<u>1,727,987</u>

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

The Wood's Homes Foundation

Notes to the Financial Statements

December 31, 2016, with comparative information for 2015

1. Nature of the organization

Wood's Christian Homes Endowment Fund 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 Capital Fund reports transactions and balances related to the Foundation's capital activity. 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. 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 and rental income are 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, 2016, with comparative information for 2015

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.

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:

Condominium	40 years
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During the year, no capital assets were donated (2015 – \$nil).

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

3. Asset held for resale

During the year, the Foundation listed for sale the condominium previously held as a capital asset to raise funds as part of its principal strategy. An impairment loss of \$43,083 (2015 - \$nil) has been recorded on the Statement of Operations and Changes in Fund Balances based on the condominium's expected value to sell. Subsequent to year-end, the condominium sold for \$174,292.

The Wood's Homes Foundation
Notes to the Financial Statements
December 31, 2016, with comparative information for 2015

4. Investments

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

5. Capital assets

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
	\$	\$	\$	\$
<u>Capital Fund</u>				
Land	-	-	-	153,230
Buildings	-	-	-	728,646
Furniture and Fixtures	-	-	-	14,583
	-	-	-	896,459
<u>Restricted Fund</u>				
Condominium	-	-	-	229,125
Total Capital Assets	-	-	-	1,125,584

During the year, the Foundation sold its land, buildings, furniture and fixtures to Wood's Homes Society at net book value (note 12).

The Foundation reclassified its condominium as an asset held for resale (note 3).

6. Due to Wood's Homes and Wood's Homes Society

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

7. Long-term due to Wood's Homes Society

	2016	2015
	\$	\$
Long-term loan payable	390,508	390,508
Interest payable	383,880	352,675
	774,388	743,183

The Wood's Homes Foundation
Notes to the Financial Statements
December 31, 2016, with comparative information for 2015

7. Long-term due to Wood's Homes Society (continued)

During fiscal 2004, the Wood's Homes Society loaned the Foundation \$390,508. 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 \$31,205 (2015 – \$73,263) was included in general and administrative expense on the Statement of Operations.

8. 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.

	2016	2015
	\$	\$
Balance – beginning of year	1,492,300	1,364,603
Contributions received	1,057,257	623,465
Recognized as contribution revenue	(400,535)	(495,768)
Balance – end of year	<u>2,149,022</u>	<u>1,492,300</u>

9. 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.

10. Externally restricted fund balances

	2015	Donations	Investment Income	Distributions and Amortization	2016
	\$	\$	\$	\$	\$
Endowment Fund					
Earnings	51,248	-	4,681	(2,912)	53,017
Taylor Educational Fund	378,030	-	13,295	(2,976)	388,349
Perry Crisis/Opportunity Fund	37,202	-	1,116	(3,320)	34,998
Therapyship Fund	12,172	-	-	-	12,172
Knowledge House Fund	66,722	-	2,372	-	69,094
Capital Campaign Fund	-	889,540	-	(889,540)	-
Research Chair Fund	909,594	134,712	24,600	(54,836)	1,014,070
	<u>1,454,968</u>	<u>1,024,252</u>	<u>46,064</u>	<u>(953,584)</u>	<u>1,571,700</u>

The Wood's Homes Foundation

Notes to the Financial Statements

December 31, 2016, with comparative information for 2015

10. Externally restricted fund balances (continued)

Endowment Fund Earnings are composed 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 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 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 Capital Campaign Fund is restricted for the purpose of construction on the Bowness campus for Wood's Homes Society.

The Research Chair Fund is restricted for the purpose of funding a research chair in partnership with the University of Calgary.

11. Restricted for endowment

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Terry Steward – Lend a Hand Fund	7,559	7,059
Calgary Breakfast Club Educational Opportunities Fund	23,782	23,782
Career/Vocational Advancement Fund	28,406	28,406
Family Office Foundation Fund	5,782	5,782
Arts/Music	8,650	8,650
General Endowment	48,554	48,554
	<u>122,733</u>	<u>122,233</u>

The Wood's Homes Foundation

Notes to the Financial Statements

December 31, 2016, with comparative information for 2015

12. 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 \$1,816,105 (2015 - \$845,525) to Wood's Homes Society to advance the mission, goals and objectives of the agency.
- b) Recorded the sale of land, buildings, furniture and fixtures at the Foundation's net book value of \$896,459 (2015 - \$nil).
- c) Incurred interest expense of \$31,205 (2015 - \$73,263) on the long-term amount due to Wood's Homes Society.

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

- a) Received property rental income of \$6,000 (2015 - \$108,432) relating to the condominium and community homes owned by the Foundation.
- b) Contributed \$497,880 (2015 - \$715,077) to Wood's Homes to advance the mission, goals and objectives of the agency.

During the year, Wood's Homes provided executive support services and office rent for which no amount has been recorded in the statements (2015 - \$nil).

13. Net change in non-cash working capital

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Decrease in accounts receivable	4,203	1,389
Increase in prepaid expenses	(1,657)	(3,192)
(Decrease) increase in accounts payable and accrued liabilities	(26,524)	15,801
Increase in deferred contributions	656,722	127,697
	<u>632,744</u>	<u>141,695</u>

The Wood's Homes Foundation

Notes to the Financial Statements

December 31, 2016, with comparative information for 2015

14. Financial instruments

Credit risk

The Foundation's credit risk exposure relates to cash and cash equivalents and accounts receivable. 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.

15. 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: \$134,864 (2015-\$213,330).
- Direct expenses incurred for the purpose of soliciting contributions: \$23,195 (2015 - \$46,340).