

Wood's Homes Society

Consolidated Financial Statements

April 1, 2016 - March 31, 2017





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Wood's Homes Society

We have audited the accompanying consolidated financial statements of Wood's Homes Society, which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Wood's Homes Society as at March 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.

Comparative Information

The consolidated financial statements of Wood's Homes Society as at and for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 31, 2016.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are stylized and slanted to the right.

Chartered Professional Accountants

May 30, 2017
Calgary, Canada

Wood's Homes Society

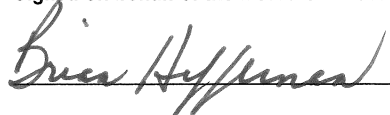
Consolidated Statement of Financial Position

As at March 31, 2017, with comparative information for 2016

			2017	2016
		Operating	Capital	Total
		\$	\$	\$
				Total
				\$
Assets				
Current assets				
Cash		1,153,592	259,977	1,413,569
Accounts receivable		1,541,307	5,400	1,546,707
Prepaid expenses		80,691	-	80,691
Due from The Wood's Homes Foundation	(note 4)	55,436	4,683	60,119
Due from (to) funds		1,363,431	(1,363,431)	-
		4,194,457	(1,093,371)	3,101,086
				2,590,297
Long-term due from The Wood's Homes Foundation	(note 5)	-	796,429	796,429
				720,108
Capital assets	(note 6)	-	21,478,032	21,478,032
				22,060,725
Intangible asset	(note 7)	128,125	-	128,125
				153,750
Total assets		4,322,582	21,181,090	25,503,672
				25,524,880
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	(note 8)	2,875,062	1,514	2,876,576
Deferred revenue		590,433	-	590,433
Construction loan	(note 10)	-	-	-
Current portion of long-term debt	(note 11)	-	35,432	35,432
		3,465,495	36,946	3,502,441
				4,332,798
Long-term debt	(note 11)	-	586,906	586,906
				334,808
Leasehold inducement	(note 12)	-	114,223	114,223
				55,472
Deferred contributions	(note 13)	29,299	17,743,717	17,773,016
				17,881,830
		3,494,794	18,481,792	21,976,586
				22,604,908
Fund balances				
Internally restricted net invested in capital assets		-	1,479,882	1,479,882
Unrestricted		827,788	1,219,416	2,047,204
		827,788	2,699,298	3,527,086
				2,919,972
Total liabilities and fund balances		4,322,582	21,181,090	25,503,672
				25,524,880
Commitments and contingencies	(note 18)			

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, 2017, with comparative information for 2016

		Operating \$	Capital \$	2017 Total \$	2016 Total \$
Revenue					
Contract	(note 14)	22,856,244	652,375	23,508,619	21,160,019
Fee for service		5,294,453	-	5,294,453	6,791,322
Operating grants		1,762,533	-	1,762,533	1,579,981
Amortization of deferred contributions	(note 13)	60,801	737,167	797,968	841,041
The Wood's Homes Foundation	(note 16)	553,515	-	553,515	714,273
Other income		325,772	76,321	402,093	382,799
		30,853,318	1,465,863	32,319,181	31,469,435
Expenses					
Salaries and benefits	(note 15)	23,476,088	-	23,476,088	23,107,853
Direct client		3,630,313	-	3,630,313	3,911,496
Administrative		1,890,744	59,507	1,950,251	2,167,298
Facility	(note 16)	1,603,813	95,115	1,698,928	1,543,157
Amortization of capital assets		-	930,862	930,862	923,421
Amortization of intangible asset		25,625	-	25,625	25,625
		30,626,583	1,085,484	31,712,067	31,678,850
Excess (deficiency) of revenue over expenses		226,735	380,379	607,114	(209,415)
Fund balances – beginning of year		601,053	2,318,919	2,919,972	2,876,157
Contribution from Wood's Homes Foundation	(note 16)	-	-	-	253,230
Fund balances - end of year		827,788	2,699,298	3,527,086	2,919,972

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, 2017, with comparative information for 2016

	2017	2016
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	607,114	(209,415)
Items not affecting cash		
Amortization of capital assets	930,862	923,421
Amortization of deferred contributions	(797,968)	(841,041)
Amortization of intangible asset	25,625	25,625
Amortization of leasehold inducement	(25,931)	-
Accrued amount due from The Wood's Homes Foundation	(76,321)	(3,076)
	663,381	(104,486)
Net changes in non-cash working capital affecting operations (note 17)	336,855	124,550
	1,000,236	20,064
Investing activities		
Purchase of capital assets	(348,169)	(1,574,731)
Net changes in non-cash working capital related to capital assets (note 17)	(85,606)	117,720
Leasehold inducements received	84,682	55,472
	(349,093)	(1,401,539)
Financing activities		
Deferred contributions	689,154	1,496,199
Contribution from Wood's Homes Foundation	-	253,230
Payments on construction loan	(626,662)	(1,055,005)
Received from long-term debt	297,374	-
Payments on long-term debt	(33,292)	(22,564)
	326,574	671,860
Increase (decrease) in cash	977,717	(709,615)
Cash – beginning of year	435,852	1,145,467
Cash – end of year	1,413,569	435,852

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

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2017, with comparative information for 2016

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 16), 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 combination.

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, revenue 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.

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2017, with comparative information for 2016

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 (see note 14).

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.

Intangible asset

The intangible asset consists of costs incurred to purchase the right to operate 70 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.

Donated materials and services

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

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, accounts receivable, and due from The Wood's Homes Foundation. The financial liabilities include accounts payable and accrued liabilities, construction loan and long-term debt.

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2017, with comparative information for 2016

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 financial statements. Financial statements for the Foundation are available upon request. A financial summary for the Foundation as at December 31, 2016 and 2015 and for the years then ended are as follows:

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

	2016	2015
	\$	\$
Total assets	7,975,838	7,571,712
Total liabilities	2,975,452	2,430,751
Fund balances		
Unrestricted	711,464	243,801
Invested in capital assets	-	815,953
Internally restricted	2,594,489	2,504,006
Externally restricted	1,571,700	1,454,968
Restricted for endowment	122,733	122,233
Total fund balances	5,000,386	5,140,961
	7,975,838	7,571,712

Statement of Operations For the year ended December 31,

	2016	2015
	\$	\$
Total revenues	2,956,226	2,732,741
Total expenses	782,816	752,467
Total distributions to Wood's	2,313,985	1,560,602
	(140,575)	419,672

Wood's Homes Society
Notes to Consolidated Financial Statements
March 31, 2017, with comparative information for 2016

3. The Wood's Homes Foundation (continued)

Statement of Cash Flows
For the year ended December 31,

	2016	2015
	\$	\$
Cash from operations	1,373,061	458,431
Cash used in financing and investing activities	(215,798)	(744,184)
Increase (decrease) in cash	<u>1,157,263</u>	<u>(285,753)</u>

4. Due from The Wood's Homes Foundation

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

5. Long-term due from The Wood's Homes Foundation

	2017	2016
	\$	\$
Long-term loan receivable	390,508	390,508
Interest receivable	<u>405,921</u>	<u>329,600</u>
	<u>796,429</u>	<u>720,108</u>

During fiscal 2004, the Wood's Homes Society loaned the Foundation \$390,508. The total long-term amount due from The Wood's Homes Foundation bears interest at the same rate of return earned on the Foundation's investment portfolio, with no terms of repayment and no security. During the year, interest revenue of \$76,321 (2016 - \$3,076) was included in other income in the Capital Fund on the Consolidated Statement of Operations and Changes in Fund Balances.

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2017, with comparative information for 2016

6. Capital assets

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
	\$	\$	\$	\$
Land	1,900,858	-	1,900,858	1,900,858
Buildings	25,059,655	6,730,953	18,328,702	18,831,019
Paving and concrete	552,509	82,876	469,633	497,260
Leasehold improvements	1,170,274	1,021,210	149,064	71,726
Equipment	1,238,690	818,416	420,274	524,646
Computers and audio visual equipment	663,186	467,581	195,605	214,392
Vehicles	140,542	126,646	13,896	20,824
Total Capital Assets	30,725,714	9,247,682	21,478,032	22,060,725

During 2017, donated capital assets of \$nil (2016 - \$nil) were recorded.

7. Intangible asset

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
	\$	\$	\$	\$
Foster Care rights	256,250	128,125	128,125	153,750

8. Government remittances payable

Government remittances consisting of amounts to be paid to government authorities were \$224,227 at March 31, 2017 (2016 - \$233,125).

9. Line of credit

Wood's has a demand revolving credit facility of \$1,500,000 (2016 - \$1,500,000) of which \$nil was drawn at March 31, 2017 (2016 - \$nil). The facility bears interest at the bank's prime rate and is collateralized by the carrying value of accounts receivable.

10. Construction loan

Wood's entered into loan facilities to finance a major construction project. The loan has been fully repaid during the year.

The demand loan bore interest at the bank's prime rate with no scheduled terms of repayment and was secured by a mortgage on the Bowness Campus property. Maximum draws on the loan were \$5,000,000 and the loan was reduced by capital campaign funds received from the Foundation after construction was complete. During the year, \$13,537 of interest expense was included in administrative expenses in the Capital Fund (2016 - \$37,460).

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2017, with comparative information for 2016

11. Long-term debt

	2017	2016
	\$	\$
Mortgages payable	622,338	358,256
Less: Current portion	(35,432)	(23,448)
	586,906	334,808

Wood's has the following mortgages payable:

- a) A mortgage payable of \$334,808 (2016 – \$358,256) due to the Toronto-Dominion Bank. The mortgage bears interest at 3.851% (2016 - \$3.851%) and is repayable in monthly blended payments of principal and interest of \$3,069 (2016 - \$3,069). The mortgage matures May 1, 2018. During the year, \$13,382 (2016 – \$14,266) of interest expense was included in administrative expenses in the Capital Fund. Wood's has pledged the Lethbridge property as collateral which has a carrying value of \$645,745 (2016 - \$655,996).
- b) A mortgage payable of \$287,530 (2016 – \$nil) due to the Toronto-Dominion Bank. The mortgage bears interest at 3.2% (2016 - \$nil) and is repayable in monthly blended payments of principal and interest of \$1,676 (2016 - \$nil). The mortgage matures March 31, 2021. During the year, \$8,592 (2016 – \$nil) of interest expense was included in administrative expenses in the Capital Fund. Wood's has pledged a Temple property as collateral which has a carrying value of \$385,259 (2016 - \$391,976).

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

	\$
2018	35,432
2019	321,877
2020	11,805
2021	253,224

12. Leasehold inducement

On January 1, 2016, the Society entered into a ten year lease expiring December 31, 2025. During the year, the Society received \$682 (2016 - \$54,790) 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, the organization 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.

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2017, with comparative information for 2016

13. Deferred contributions

a) Operating fund

Deferred contributions in the operating fund represent externally restricted amounts received that have not been spent. These amounts are restricted for the rent expenses of Eastside Family Centre.

	2017	2016
	\$	\$
Balance – beginning of year	90,100	94,550
Contributions received	-	50,261
Recognized as contribution revenue	(60,801)	(54,711)
Balance – end of year	<u>29,299</u>	<u>90,100</u>

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:

	2017	2016
	\$	\$
Balance – beginning of year	17,791,730	17,132,122
Contributions received	689,154	1,445,938
Recognized as contribution revenue	(737,167)	(786,330)
Balance – end of year	<u>17,743,717</u>	<u>17,791,730</u>

14. 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.

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2017, with comparative information for 2016

15. Pension plan

Wood's maintains a voluntary defined contribution pension plan for its union and non-union employees. Wood's matches union employees' contributions of 4% of their gross salary. Wood's Homes contributes a range of 5% to 10% of non-union employees' gross salary depending on their term of service. The 2017 pension cost of \$509,677 (2016 – \$463,816) was expensed in salaries and benefits in the Consolidated Statement of Operations and Changes in Fund Balances.

16. 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 \$553,515 (2016 - \$714,273) from the Foundation to advance the mission, goals and objectives of the agency;
- b) Recorded as additions to deferred contributions \$655,051 (2016 - \$1,445,938) received from the Foundation (note 13);
- c) Recorded as additions to fund balances \$nil (2016 - \$253,230) received from the Foundation for the purchase of land. The contribution for the purchase of this property was recorded as an increase to the internally restricted net investment in the capital assets fund balance;
- d) Recorded property rent expenses of \$5,800 (2016 - \$86,681) in facility expenses; and
- e) Recorded purchase of land, buildings, furniture and fixtures at the Foundation's net book value of \$nil (2016 - \$896,458).

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 (2016 - \$nil).

17. 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

	2017	2016
	\$	\$
Decrease in accounts receivable	336,621	296,648
(Increase) in prepaid expenses	(23,769)	(15,623)
(Increase) decrease in Due from Wood's Homes Foundation	93,591	(132,636)
Decrease in accounts payable and accrued liabilities	(294,235)	(201,416)
Increase in deferred revenue	224,647	177,577
	336,855	124,550

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2017, with comparative information for 2016

17. Net change in non-cash working capital (continued)

b) Capital fund

	2017	2016
	\$	\$
Decrease (increase) in accounts receivable	55,485	(24,886)
Decrease (increase) in prepaid expenses	5,000	(5,000)
(Decrease) increase in accounts payable and accrued liabilities	(146,091)	147,606
	<u>(85,606)</u>	<u>117,720</u>

18. Commitments and contingencies

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

	\$
2018	455,337
2019	404,004
2020	363,543
2021	314,129
2022	196,742

From time to time, the Society is subject to claims that arise in the ordinary course of business. Liability for these claims, if any, is recorded to the extent that the probability of a loss is likely and it is estimable. At the time of the financial statement preparation, there has been no resolution or indication that the settlement of outstanding claims will result in any material liabilities.

19. Financial instruments

Wood's exposure to risks arising from financial instruments did not change from the prior year and are outlined as follows:

Credit and interest rate risk

Wood's credit risk exposure relates to cash and accounts receivable. Interest rate risk exposure relates to long-term debt. Cash is held with Canadian financial institutions, and accounts receivable is due from reputable funders and donors with no history of non-payment. 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, \$9,275 of interest income (2016 - \$9,118) in the Operating Fund and \$76,321 (2016 - \$3,076) in the Capital Fund was recorded in other income on the Consolidated Statement of Operations and Changes in Fund Balances.

Liquidity risk

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.

Wood's Homes Society

Notes to Consolidated Financial Statements

March 31, 2017, with comparative information for 2016

20. 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: \$20,158 (2016-\$35,501);
- Direct expenses incurred for the purpose of soliciting contributions: \$5,438 (2016 - \$4,846); and
- Payments to a fund-raising business used to make solicitations on behalf of Wood's \$70,493 (2016-\$50,515).