Consolidated Financial Statements of

WOOD'S HOMES SOCIETY

And Independent Auditors' Report thereon

Year ended March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Wood's Homes Society

Opinion

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

- the consolidated statement of financial position as at March 31, 2022;
- the consolidated statement of operations and changes in fund balances for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2022, and its consolidated results of operations, and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

May 24, 2022

WOOD'S HOMES SOCIETY
Consolidated Statement of Financial Position

As at March 31, 2022, with comparative information for 2021

	Operating	Capital	2022 Total	2021 Total
Assets				
Current assets:				
Cash and cash equivalents	$ 4,183,332	$ 2,044,894	$ 6,228,226	$ 4,428,211
Accounts receivable	1,220,247	2,365	1,222,612	1,954,367
Prepaid expenses	193,305	11,506	204,811	502,396
Due from (to) funds	1,952,863	(1,952,863)	–	–
	7,549,747	105,902	7,655,649	6,884,974
Capital assets (note 5)	–	26,103,748	26,103,748	23,934,957
Intangible asset (note 6)	–	–	–	20,500
	$ 7,549,747	$ 26,209,650	$ 33,759,397	$ 30,840,431
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities (notes 7, 11)	$ 4,569,309	$ 8,375	$ 4,577,684	$ 5,157,414
Deferred revenue	729,156	–	729,156	303,347
Due to The Wood's Homes Foundation (note 4)	431,032	–	431,032	90,420
Current portion of long-term debt (notes 9, 12)	–	162,638	162,638	119,690
	5,729,497	171,013	5,900,510	5,670,871
Long-term debt (notes 9, 12)	–	3,568,963	3,568,963	3,010,825
Leasehold inducement	–	–	–	2,100
Deferred contributions (note 10)	32,801	15,098,552	15,131,353	15,863,219
	5,762,298	18,838,528	24,600,826	24,547,015
Fund balances:				
Unrestricted	1,787,449	7,371,122	9,158,571	6,293,416
Commitments and contingencies (note 14)				
	$ 7,549,747	$ 26,209,650	$ 33,759,397	$ 30,840,431

See accompanying notes to the consolidated financial statements.

____________________ Director ____________________ Director

WOOD'S HOMES SOCIETY

Consolidated Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2022, with comparative information for 2021

	Operating	Capital	2022 Total	2021 Total
Revenue:				
Contract (note 11)	$ 32,334,605	$ 1,057,818	$ 33,392,423	$ 30,097,035
Fee for service	1,693,032	–	1,693,032	5,559,616
Operating grants	1,678,131	–	1,678,131	2,195,478
Amortization of deferred contributions (note 10)	73,294	703,834	777,128	706,239
The Woods Homes Foundation (note 12)	828,084	–	828,084	725,919
Other income	155,841	2,007	157,848	507,808
	36,762,987	1,763,659	38,526,646	39,792,095
Expenses:				
Salaries and benefits	29,267,322	–	29,267,322	30,346,742
Direct client	3,051,775	–	3,051,775	3,248,132
Facility	2,214,094	28,409	2,242,503	2,553,588
Administrative	1,974,011	24,709	1,998,720	1,721,243
Interest on long-term debt	–	157,064	157,064	136,401
Amortization of capital assets	–	906,506	906,506	999,614
Amortization of intangible asset	20,500	–	20,500	30,750
	36,527,702	1,116,688	37,644,390	39,036,470
Excess of revenue over expenses before other items	235,285	646,971	882,256	755,625
(Loss) gain on disposition of capital assets	–	(48,696)	(48,696)	28,745
Unrestricted contribution (note 5)	–	2,031,595	2,031,595	–
Excess of revenue over expenses	235,285	2,629,870	2,865,155	784,370
Fund balances, beginning of year	1,552,164	4,741,252	6,293,416	5,509,046
Fund balances, end of year	$ 1,787,449	$ 7,371,122	$ 9,158,571	$ 6,293,416

See accompanying notes to the consolidated financial statements.

WOOD'S HOMES SOCIETY

Consolidated Statement of Cash Flows

For the year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	$ 2,865,155	$ 784,370
Items not affecting cash:		
Loss (gain) on disposition of capital assets	48,696	(28,745)
Unrestricted contribution of capital assets (note 5)	(1,910,000)	–
Amortization of capital assets	906,506	999,614
Amortization of deferred contributions	(777,128)	(706,239)
Amortization of intangible assets	20,500	30,750
Amortization of leasehold inducement	(2,100)	(28,031)
	1,151,629	1,051,719
Net changes in non-cash working capital affecting operations (note 13)	1,254,293	(351,513)
	2,405,922	700,206
Investing:		
Proceeds on disposition of capital assets, net of closing costs and outstanding long-term debt	75,602	195,729
Purchase of capital assets	(1,518,993)	(688,727)
Net changes in non-cash working capital related to capital assets (note 13)	(38,262)	53,232
	(1,481,653)	(439,766)
Financing:		
Deferred contributions received	45,262	128,082
Proceeds from issuance of long-term debt	1,162,500	–
Payments on long-term debt	(332,016)	(236,119)
	875,746	(108,037)
Increase in cash and cash equivalents	1,800,015	152,403
Cash and cash equivalents – beginning of year	4,428,211	4,275,808
Cash and cash equivalents – end of year	$ 6,228,226	$ 4,428,211

See accompanying notes to the consolidated financial statements.

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 12), charitable activities and donations.

2. Significant accounting policies:

(a) 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.

(b) Principles of consolidation:

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

(c) Fund accounting:

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

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

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

2. Significant accounting policies (continued):

(d) 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.

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.

(e) Cash and cash equivalents:

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

(f) Use of estimates:

The consolidated financial statements of Wood's have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require management to make assumptions and estimates that affect the reported amount of assets, liabilities, revenues and expenses. Actual amounts could differ from those estimates (note 11).

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 ("COVID-19") outbreak a pandemic. Wood's is following health advisories and mandatory requirements from local, provincial and national health and government organizations. These measures have caused material disruption to businesses in Calgary and area, resulting in an economic slowdown. Accordingly, economic uncertainties have arisen which could have negative impact on the Wood's revenue streams and funding.

Since the start of the pandemic, no funder has negatively adjusted funding levels as a direct result of the COVID-19 outbreak. However, certain programs experienced lower activity levels as a result of the pandemic which reduced revenues and expenses, but did not materially affect the excess of revenue over expenses. Management has assessed the financial impact of the COVID-19 pandemic and did not identify any significant impact on the consolidated financial statements of Wood's as at March 31, 2022.

2. Significant accounting policies (continued):

(f) Use of estimates (continued):

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

As at the reporting date, Wood's has determined that COVID-19 has had no impact on its accounting policies, contractual arrangements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. Wood's continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at March 31, 2022, Wood's continues to meet its contractual obligations within normal payment terms and Wood's exposure to credit risk remains largely unchanged.

(g) Donated materials and services:

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

(h) Government assistance:

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

(i) Capital assets:

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

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

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

2. Significant accounting policies (continued):

(j) Intangible asset:

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

(k) Pension plan:

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

(l) Financial instruments:

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

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

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.

3. The Wood's Homes Foundation (continued):

The Foundation has not been consolidated in Wood's Homes Society's consolidated financial statements. Financial statements for the Foundation are available upon request. A financial summary for the Foundation as at December 31, 2021 and 2020 and for the years then ended are as follows:

Statement of Financial Position, as at December 31,	2021	2020
Total assets	$ 11,034,850	$ 10,084,886
Total liabilities	1,987,097	1,976,495
Fund balances:		
Unrestricted	2,759,008	2,428,895
Internally restricted	3,746,345	3,317,533
Externally restricted	2,419,567	2,239,230
Restricted for endowment	122,833	122,733
Total fund balances	9,047,753	8,108,391
	$ 11,034,850	$ 10,084,886

Statement of Operations, as at December 31,	2021	2020
Total revenues	$ 1,787,008	$ 1,817,970
Total expense	(847,671)	(838,120)
Total increase in value of investments	1,139,132	739,004
Total distributions to Wood's	(1,139,107)	(868,067)
Excess of revenue over expense	$ 939,362	$ 850,787

Statement of Cash Flows, as at December 31,	2021	2020
Cash from operations	$ 1,015,599	$ 845,047
Cash used in financing and investing activities	(1,185,080)	(703,289)
Increase (decrease) in cash	$ (169,481)	$ 141,758

4. Due to The Wood's Homes Foundation:

Amounts due to the Foundation are unsecured, non-interest bearing and due on demand.

5. Capital assets:

	Cost	Accumulated amortization	2022 Net Book value	2021 Net Book value
Land	$ 6,664,983	$ –	$ 6,664,983	$ 4,689,983
Construction in progress	296,830	–	296,830	477,416
Buildings	28,753,780	10,087,972	18,665,808	18,145,676
Paving and concrete	552,509	221,004	331,505	359,131
Leasehold improvements	987,679	987,490	189	2,993
Equipment	1,315,125	1,225,980	89,145	107,616
Computers and audio visual	1,322,816	1,267,528	55,288	143,426
Vehicles	175,405	175,405	–	8,716
	$ 40,069,127	$ 13,965,379	$ 26,103,748	$ 23,934,957

In December 2021, Wood's received donated capital assets comprised of land and a building located in the City of Calgary. These assets have been recorded in these consolidated financial statements at their estimated fair market value of $1.9 million at March 31, 2022. The capital assets and $121,595 of contributed cash are not externally restricted and accordingly have been recognized as unrestricted contribution on the consolidated statement of operations.

In June 2021, Wood's acquired a property in Calgary for use in residential programming. The purchase of the land and building has been recorded at the purchase price of $1.55 million. The purchase was partially financed by a mortgage. In December 2021, a separate property with a carrying value of $353,916 was sold for $305,000. The outstanding mortgage of $229,398 was settled at the time of the disposition and the net proceeds of $75,602 were received as cash.

6. Intangible asset

	Cost	Accumulated amortization	2022 Net Book value	2021 Net Book value
Foster Care rights	$ 256,250	$ 256,250	$ –	$ 20,500

7. Government remittances payable:

Accounts payable and accrued liabilities includes government remittances consisting of payroll remittance amounts to be paid to government authorities of $233,519 at March 31, 2022 (2021 – $263,721).

8. Line of credit:

Wood's has a demand revolving credit facility of $1,500,000 (2021 – $1,500,000) of which $nil was drawn at March 31, 2022 (2021 – $nil). The facility bears interest at the Bank prime rate plus 0.5% per annum and is collateralized by a general security agreement over all property and assets.

9. Long-term debt:

	2022	2021
Mortgages payable	$ 3,731,601	$ 3,130,515
Less: current portion	(162,638)	(119,690)
	$ 3,568,963	$ 3,010,825

Wood's has the following mortgages payable:

(a) A mortgage payable of $2,062,114 (2021 – $2,236,137) due to the Toronto-Dominion Bank. The mortgage bears interest at 4.08% per annum (2021 – 4.08%) and is repayable in monthly blended payments of principal and interest of $13,260 (2021 – $13,260). The mortgage is scheduled to mature on December 28, 2023. During the year, $87,792 (2021 – $93,829) of interest expense was included in interest on long-term debt in the Capital Fund. Wood's has pledged the Inglewood property as collateral which has a carrying value of $4,134,228 (2021 – $4,184,021).

9. Long-term debt (continued):

(b) A mortgage payable of $1,053,219 (2021 – $nil) due to the Toronto-Dominion Bank. The mortgage was initiated in June 2021 to finance the purchase of a property and has a floating interest rate of Toronto-Dominion Prime rate plus 0.5% per annum. The required monthly principal payments are $3,875. The mortgage has no scheduled maturity date and is expected to be renewed prior to June 1, 2026. During the year, $31,858 (2021 – $nil) of interest expense was included in interest on long-term debt in the Capital Fund. Wood's has pledged a property in Calgary as collateral which has a carrying value of $1,547,875.

(c) A mortgage payable of $410,929 (2021 – $420,093) due to the Wood's Homes Foundation. The mortgage bears interest at 5.34% per annum (2021 – 5.34%) and is repayable in monthly blended payments of principal and interest of $2,615 (2021 – $2,615). The mortgage is scheduled to mature on June 21, 2024. During the year, $22,210 (2021 – $22,868) of interest expense was included in interest on long-term debt in the Capital Fund. The mortgage is unsecured.

(d) A mortgage payable of $205,247 (2021 – $233,254) due to the Toronto-Dominion Bank. The mortgage bears interest at 4.75% per annum (2021 – 4.75%) and is repayable in monthly blended payments of principal and interest of $3,207 (2021 – $3,207). The mortgage is scheduled to mature on May 1, 2023. During the year, $10,482 (2021 – $11,779) of interest expense was included in interest on long-term debt in the Capital Fund. Wood's has pledged the Lethbridge property as collateral which has a carrying value of $628,173 (2021 – $639,357).

(e) A mortgage payable of $nil (2021 – $241,031) due to the Toronto-Dominion Bank. The mortgage was settled during the year ended March 31, 2022. On April 1, 2021, the mortgage was renewed for an open period term with a floating interest rate of Toronto-Dominion Prime plus 0.5%. The monthly principal payments were $1,332. Prior to April 1, 2021, the mortgage bore interest at 3.2% per annum and was repayable in monthly blended payments of principal and interest of $1,676. During the year, $5,222 (2021 – $7,925) of interest expense was included in interest on long-term debt in the Capital Fund.

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

2023	$	162,638
2024		167,773
2025		173,136
2026		178,738
2027		184,592
Thereafter		2,864,724

10. Deferred contributions:

(a) Operating fund:

Deferred contributions in the operating fund represent externally restricted amounts received that have not been spent, including amounts restricted for the rent expense of a specific program.

	2022	2021
Balance – beginning of year	$ 60,833	$ 21,029
Contributions received	45,262	85,477
Recognized as contribution revenue	(73,294)	(45,673)
Balance – end of year	$ 32,801	$ 60,833

(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:

	2022	2021
Balance – beginning of year	$ 15,802,386	$ 16,420,347
Contributions received	–	42,605
Recognized as contribution revenue	(703,834)	(660,566)
Balance – end of year	$ 15,098,552	$ 15,802,386

11. 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.

11. Contract revenues (continued):

Any differences in the amounts recovered or paid from the amounts accrued are recorded in the year recovered as contract revenues or a reduction of contract revenues. As at March 31, 2022, $1,362,696 (2021 – $1,197,229) was recorded as the estimated amount repayable to funders.

12. 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 $828,084 (2021 – $725,919) from the Foundation to advance the mission, goals and objectives of Wood's;

(b) Recorded principal and interest payments to the Foundation totaling $31,378 (2021 – $31,378) in respect of payment obligations on a long-term debt of $435,000 issued in 2020 (note 9c); and,

(c) Recorded as additions to deferred contributions $nil (2021 – $42,606) received from the Foundation (note 10).

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 (2021 – $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:

(a) Operating Fund:

	2022	2021
Decrease (increase) in accounts receivable	$ 667,728	$ (337,702)
Decrease (increase) in prepaid expenses	299,949	(222,552)
Increase in Due to Wood's Homes Foundation	340,612	132,065
(Decrease) increase in accounts payable and accrued liabilities	(479,805)	573,718
Increase (decrease) in deferred revenue	425,809	(497,042)
	$ 1,254,293	$ (351,513)

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

(b) Capital fund:

	2022	2021
Decrease (increase) in accounts receivable	$ 64,027	$ (62,340)
(Increase) in prepaid expenses	(2,364)	(4,345)
Increase in Due to Wood's Homes Foundation	–	11,617
(Decrease) increase in accounts payable and accrued liabilities	(99,925)	108,300
	$ (38,262)	$ 53,232

14. Commitments and contingencies:

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

2023	$ 459,854
2024	380,627
2025	321,115
2026	238,449
2027	15,375

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

15. Financial instruments:

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

Credit and interest rate risk

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

Wood's credit risk exposure relates to cash, cash equivalents and accounts receivable. Cash and cash equivalents are held with Canadian financial institutions, and accounts receivable is due from reputable funders and donors with no history of non-payment. 72% of Wood's long-term debt bears interest at fixed rates. Accordingly, management believes the Wood's exposure to credit risk and interest rate risk is not significant.

During the year, $12,303 of interest income (2021 – $13,926) in the Operating Fund and $2,007 (2021 – $4,298) in the Capital Fund was recorded in other income on the consolidated statement of operations and changes in fund balances.

Liquidity risk

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

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

There have been no changes to Wood's risk exposure from 2021 other than the ongoing potential impact of COVID-19 as described in note 2.

16. 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: $43,557 (2021 – $42,880); and direct expenses incurred for the purpose of soliciting contributions: $3,924 (2021 – $3,308).