PEOPLE FIRST,
COMMUNITY ALWAYS

FINANCIAL STATEMENTS OF

ASPEN FAMILY AND COMMUNITY NETWORK SOCIETY

YEAR ENDED MARCH 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Aspen Family & Community Network Society

We have audited the accompanying financial statements of Aspen Family & Community Network Society, which comprise the statement of financial position as at March 31, 2018, the statements of revenues and expenses, changes in net assets, 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Aspen Family & Community Network Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Aspen Family & Community Network Society. Therefore, we were not able to determine whether as at and for the years ended March 31, 2018 and 2017, any adjustments might be necessary to donation revenue or excess of revenues over expenses reported in the statements of revenues and expenses, excess of revenues over expenses reported in the statements of changes in net assets and cash flows, and current assets and unrestricted net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Aspen Family & Community Network Society as at March 31, 2018, 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.

KPMG LLP

Chartered Professional Accountants

June 20, 2018
Calgary, Canada

ASPEN FAMILY & COMMUNITY NETWORK SOCIETY

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 326,142	$ 415,769
Short-term investments (note 3)	500,000	–
Accounts receivable	79,317	326,379
Prepaid expenses	227,561	195,182
	1,133,020	937,330
Property and equipment (note 4)	1,551,370	1,583,763
	$ 2,684,390	$ 2,521,093
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 652,155	$ 638,647
Deferred revenue	324,911	421,761
Accrued vacation payable	219,283	200,091
Current portion of long-term debt (note 7)	7,991	7,673
	1,204,340	1,268,172
Deferred capital contributions (note 6)	765,463	635,437
Long-term debt (note 7)	176,988	184,977
Non-current accrued liabilities	165,099	170,216
	2,311,890	2,258,802
Net assets:		
Unrestricted	362,250	252,291
Endowment	10,250	10,000
	372,500	262,291
Commitments (note 11)		
Economic dependence (note 14)		
	$ 2,684,390	$ 2,521,093

See accompanying notes to financial statements.

Approved by the Board of Directors:

_____________ Director

_____________ Director

ASPEN FAMILY & COMMUNITY NETWORK SOCIETY

Statement of Revenues and Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Alberta Children's Services	$ 5,953,010	$ 5,929,253
Calgary Homeless Foundation	2,064,438	1,975,334
United Way	896,009	886,932
Other contributions (note 9)	694,286	690,030
Family and Community Support Services (City of Calgary)	676,416	726,993
Alberta Health Services	271,146	319,725
Children's Aid Foundation of Canada	261,133	–
Anonymous Donor	247,413	89,169
Fee for service	196,580	192,969
Citizenship and Immigration Canada	–	405,335
	11,260,431	11,215,740
Expenses:		
Staffing	7,138,623	7,182,532
Direct client	2,649,697	2,832,132
Facility	700,122	660,490
Administrative and office	358,857	231,630
Amortization	295,472	188,235
Interest on long-term debt	7,701	5,007
	11,150,472	11,100,026
Excess of revenues over expenses for the year	$ 109,959	$ 115,714

See accompanying notes to financial statements.

ASPEN FAMILY & COMMUNITY NETWORK SOCIETY

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Endowment	Unrestricted	2018	2017
Net assets, beginning of year	$ 10,000	$ 252,291	$ 262,291	$ 142,577
Excess of revenues over expenses	–	109,959	109,959	115,714
Endowment contribution	250	–	250	4,000
Net assets, end of year	$ 10,250	$ 362,250	$ 372,500	$ 262,291

See accompanying notes to financial statements.

ASPEN FAMILY & COMMUNITY NETWORK SOCIETY

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in) the following activities:		
Operating:		
Excess of revenue over expenses for the year	$ 109,959	$ 115,714
Items not involving cash:		
Amortization of deferred capital contributions	(156,156)	(103,191)
Amortization of property and equipment	295,472	188,235
Change in non-cash working capital (note 8)	(354,584)	213,892
	(105,309)	414,650
Financing:		
Deferred contributions received	286,182	–
Repayment of long-term debt	(7,671)	(11,384)
Endowment contributions received	250	4,000
	278,761	(7,384)
Investing:		
Property and equipment acquired	(263,079)	(288,803)
(Decrease) increase in cash	(89,627)	118,463
Cash, beginning of year	415,769	297,306
Cash, end of year	$ 326,142	$ 415,769

See accompanying notes to financial statements.

1. Operations:

Aspen Family & Community Network Society ("Aspen") is a registered charitable organization operating under the Societies Act of the Province of Alberta. Aspen's vision is to lead the way as agents for action and sustainable change. Aspen works with six key populations to unlock potential and transform lives, promoting: active participation in the family and readiness to learn among children; stability and enhanced well-being among families; appropriate and safe housing and sustainable livelihoods among homeless families; successful transition to adulthood for youth; inclusion and belonging among diverse populations, including immigrants and Aboriginals; and residents who meaningfully participate in community. At Aspen, we are about people first, community always.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook.

(a) Revenue recognition:

Aspen follows the deferral method of accounting for contributions, which include donations and grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase or leasing of property and equipment are recorded as receivable when the amount can be reasonably estimated and collection is reasonably assured, and are recorded as deferred contributions and recognized as revenue on the same basis and at the same time that the corresponding lease term or property and equipment is amortized.

Endowment contributions are recognized as direct increases in net assets.

(b) Deferred revenue:

Deferred revenue represents funds received related to programs for which efforts are to be carried out in future periods. Amounts will be recognized as revenue as related program costs are incurred in those future periods.

2. Significant accounting policies (continued):

(c) Property and equipment:

All property and equipment is recorded at cost. Amortization is charged on a straight-line basis over the estimated useful lives of the property and equipment as follows:

Asset	Years
Buildings	25
Computer equipment and software	3
Furniture and fixtures	10
Automotive equipment	5 -10
Leasehold improvements	5

Aspen regularly reviews its property and equipment to eliminate obsolete items. Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value. When an item of property or equipment no longer contributes to Aspen's ability to provide services, its carrying amount is written down to its residual value.

(d) In-kind donations:

Donated assets and services are recorded when they would have otherwise been purchased and fair market value can be reasonably estimated.

(e) Measurement uncertainty:

The preparation of the financial statements in accordance with Accounting Standards for Not-For-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of property and equipment. Actual results could differ from and affect the results reported in these financial statements.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. Aspen has not elected to carry any such financial instruments at fair value, and holds no derivatives or equity instruments.

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

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 is an indicator of impairment, Aspen determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected 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 Aspen expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(g) Income taxes:

Aspen is registered as a charitable society under the *Income Tax Act of Canada* (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, Aspen must meet the certain requirements within the Act. In the opinion of management, these requirements have been met.

3. Short-term investments:

Aspen's short-term investments are comprised of a $500,000 (2017 - $nil) Guaranteed Investment Certificate maturing October 10, 2018 that can be converted to cash on demand, and earns interest at 1% per annum.

4. Property and equipment:

2018	Cost	Accumulated amortization	Net book value
Buildings	$ 1,809,598	$ 1,009,137	$ 800,461
Computer equipment and software	635,895	217,436	418,459
Furniture and fixtures	454,381	165,879	288,502
Automotive equipment	241,055	205,459	35,596
Leasehold improvements	106,511	105,693	818
Work in progress	7,534	–	7,534
	$ 3,254,974	$ 1,703,604	$ 1,551,370

4. Property and equipment (continued):

2017	Cost	Accumulated amortization	Net book value
Buildings	$ 1,809,598	$ 930,867	$ 878,731
Computer equipment and software	395,466	375,147	20,319
Furniture and fixtures	454,381	120,441	333,940
Automotive equipment	276,119	223,436	52,683
Leasehold improvements	106,511	97,223	9,288
Work in progress	288,802	–	288,802
	$ 3,330,877	$ 1,747,114	$ 1,583,763

Work in progress of $7,534 at March 31, 2018 includes website development (2017 - $288,802 computer equipment and software). Amortization will commence once the asset is available for use.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $89,835 (2017 - $95,112), which include amounts payable for GST and payroll related taxes.

6. Deferred capital contributions:

	2018	2017
Contributions received towards the acquisition of an apartment complex. The original contribution of $574,354 is being amortized on a straight-line basis over 25 years resulting in an annual transfer to the statement of revenues and expenses of $22,974	$ 221,455	$ 244,429
Contributions received towards the acquisition of vehicles, office equipment and related maintenance costs. The original contribution of $143,300 is being amortized on a straight-line basis over 10 years resulting in an annual transfer to the statement of revenues and expenses of $14,330	28,661	42,991

6. Deferred capital contributions (continued):

	2018	2017
Contribution received for the acquisition of office furniture. The original contribution of $366,750 is being amortized on a straight-line basis over 10 years resulting in an annual transfer to the statement of revenues and expenses of $36,676	238,387	275,063
Contribution received for group home renovations. The original contribution of $49,378 is being amortized on a straight-line basis over 10 years resulting in an annual transfer to the statement of revenues and expenses of $4,938	32,184	37,122
Contribution received for leasehold improvements for north east condo. The original contribution of $32,093 is being amortized on a straight-line basis over 25 years resulting in an annual transfer to the statement of revenues and expenses of $1,284	28,242	29,526
Contribution received towards computer equipment. The original contribution of $75,000 is being amortized on a straight-line basis over three years resulting in an annual transfer to the statement of revenues and expenses of $25,000	54,166	–
Contribution received towards computer software. The original contribution of $211,182 is being amortized on a straight-line basis over three years resulting in an annual transfer to the statement of revenues and expenses of $70,394	162,368	–
Contribution for the acquisition of computer equipment. The original contribution of $26,060 is being amortized on a straight-line basis over three years resulting in an annual transfer of $9,109 to the statement of revenues and expenses	–	6,307
	$ 765,463	$ 635,437

7. Long-term debt:

		2018		2017
Mortgage payable on the North East Condo for Parent Link Centre, bearing interest at 4.07% with a renewal date of October 1, 2019 and monthly blended payments of principal and interest in the amount of $1,281, and secured against the underlying asset.	$	184,979	$	192,650
Less: principal payable within one year		7,991		7,673
	$	176,988	$	184,977

On the assumption that the mortgage will be renewed on similar terms to those currently existing, estimated principal repayments over the next five years are as follows:

2019	$	7,991
2020		8,323
2021		8,668
2022		9,027
2023		9,402
Thereafter		141,568
	$	184,979

Aspen also has access to a demand operating loan, with a facility limit of $200,000, bearing interest at the lender's prime rate plus 1.3% per annum (2017 – prime rate plus 1.3% per annum), which is secured by a collateral mortgage of $230,000 over real estate (apartment building) and a general security agreement. At March 31, 2018, $nil (2017 - $nil) was drawn against this facility.

8. Net change in non-cash working capital:

	2018	2017
Decrease (increase) in accounts receivable	$ 247,062	$ (137,077)
(Increase) decrease in short-term investments	(500,000)	500,000
(Increase) decrease in prepaid expenses	(32,379)	22,329
Increase (decrease) in accounts payable and accrued liabilities	8,391	(132,761)
(Decrease) in deferred revenue	(96,850)	(55,614)
Increase in accrued vacation payable	19,192	17,015
	(354,584)	$ 213,892

9. Other contributions:

	2018	2017
Grants and other program funding	$ 236,882	$ 127,063
Amortization of deferred contributions	156,156	103,191
Donations	129,676	272,188
Other	111,107	57,337
Rent	60,465	54,363
Dave Thomas Foundation	–	75,888
	$ 694,286	$ 690,030

10. Financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. Aspen is exposed to credit risk with respect to its accounts receivable, short-term investments and cash. A substantial portion of the accounts receivable are with known and reliable funders, and are subject to normal credit risks. Cash and short-term investments are deposited with Canadian commercial banks.

(b) Interest rate risk:

Aspen is not exposed to interest rate risk as its long-term debt bears interest at fixed rates (note 7).

(c) Liquidity risk:

Liquidity risk is the risk that Aspen will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Aspen manages its liquidity risk by monitoring its operating requirements. Aspen prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2017.

11. Commitments:

Aspen has various operating leases for premises expiring on or before March 31, 2025. These leases commit Aspen to the following estimated minimum annual base plus operating cost rent payments, as follows:

2019	$ 804,768
2020	808,958
2021	845,722
2022	817,741
2023	706,340
Thereafter	1,019,049

12. Fundraising activities:

Gross contributions received in 2018 were $166,709 (2017 - $272,679).

Fundraising contributions were used as follows:

	2018	2017
Client crisis support	$ 75,205	$ 102,225
Direct client	37,891	122,371
Other campaign	16,074	20,489
Campaign salaries	14,785	5,518
Staff education	12,153	22,076
Program space - rental	10,601	–
	$ 166,709	$ 272,679

Client crisis support costs include payments to help clients with their food, transportation, utilities and other miscellaneous crisis services support.

Direct client costs include expenses related to providing client services through the various programs offered by Aspen.

Expenses incurred for the purposes of soliciting contributions were $14,785 (2017 - $5,895), which are included in remuneration paid to employees for activities directly related to fundraising during the year was $38,495 (2017 - $60,000).

On the statement of revenues and expenses, $137,007 (2017 - $189,248) of fundraising contributions were used for direct client expenses, $14,785 (2017 - $71,334) were used for staffing expenses, and $14,917 (2017 - $12,097) were used for administrative and office expenses.

13. Related party transactions:

A member of Aspen's Board of Directors is a partner at a firm that provides legal services to Aspen. The cost of these services, aggregating $2,705 (2017 - $nil), is recorded in administrative and office expenses. The transactions occurred in the normal course of business and are measured at the exchange amount being the amount agreed to by the parties.

14. Economic dependence:

Aspen receives the majority of its revenue in the form of grants from a variety of sources. In management's opinion, Aspen's continued operations are dependent on the continuance of these grants.