

## Financial Statements

The Winnifred Stewart Association for the Mentally  
Handicapped

March 31, 2018

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# Independent Auditor's Report

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To the Members of  
The Winnifred Stewart Association for the Mentally Handicapped

We have audited the accompanying financial statements of The Winnifred Stewart Association for the Mentally Handicapped (the "Association"), which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

## **Auditor's 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 the auditor's 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, the auditor considers 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, the Association derives revenue from donations from the public, 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 the Association. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenues, deficiency of revenues over expenditures, and cash flows from operations for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017 and net assets as at April 1, 2017 and 2016 and March 31, 2018 and 2017. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

**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 The Winnifred Stewart Association for the Mentally Handicapped as at March 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 15 of the financial statements, which indicates that the comparative information presented as at and for the year-ended March 31, 2018 has been restated.

Edmonton, Canada

May 24, 2018

*Grant Thornton LLP*  
Chartered Professional Accountants

**The Winnifred Stewart Association for the Mentally  
Handicapped  
Statement of Operations**

Year Ended March 31	2018			2017 (Restated) (Note 15)
	General Fund	Capital Asset Fund	Total	Total
<b>Revenues</b>				
Residential services	\$ 5,637,191	\$ -	\$ 5,637,191	\$ 5,571,632
Day services	3,594,803	-	3,594,803	3,470,960
Donations, grants and memberships	60,278	51,368	111,646	1,424
Interest	2,609	-	2,609	1,275
	<u>9,294,881</u>	<u>51,368</u>	<u>9,346,249</u>	<u>9,045,291</u>
<b>Expenditures</b>				
Residential services	4,917,844	-	4,917,844	5,037,757
Day services	2,999,287	-	2,999,287	3,036,047
Administration	1,081,914	-	1,081,914	1,084,458
Amortization of capital assets	-	164,452	164,452	161,035
Mortgage interest	-	10,639	10,639	12,034
	<u>8,999,045</u>	<u>175,091</u>	<u>9,174,136</u>	<u>9,331,331</u>
Excess (deficiency) of revenues over expenditures before other items	<u>295,836</u>	<u>(123,723)</u>	<u>172,113</u>	<u>(286,040)</u>
<b>Other items</b>				
Gain on sale of capital assets (Note 4)	-	-	-	3,500
Winnifred Stewart Foundation grants (Note 3)	<u>184,000</u>	-	<u>184,000</u>	<u>100,000</u>
	<u>184,000</u>	-	<u>184,000</u>	<u>103,500</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 479,836</u>	<u>\$ (123,723)</u>	<u>\$ 356,113</u>	<u>\$ (182,540)</u>

See accompanying notes to the financial statements.

**The Winnifred Stewart Association for the Mentally  
Handicapped  
Statement of Changes in Net Assets**

Year Ended March 31	2018			2017
	General Fund	Capital Asset Fund	Total	Total
Balance, beginning of year as previously stated	\$ 368,711	\$ 1,633,950	\$ 2,002,661	\$ 2,185,201
Prior period adjustments (Note 15)	<u>(337,898)</u>	<u>-</u>	<u>(337,898)</u>	<u>(337,898)</u>
Balance, beginning of year, as restated	30,813	1,633,950	1,664,763	1,847,303
Excess (deficiency) of revenues over expenditures	479,836	(123,723)	356,113	(182,540)
Interest on capital reserve	-	13	13	-
Interfund transfers (Note 10)	<u>(22,499)</u>	<u>22,499</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 488,150</u>	<u>\$ 1,532,739</u>	<u>\$ 2,020,889</u>	<u>\$ 1,664,763</u>

See accompanying notes to the financial statements.

**The Winnifred Stewart Association for the Mentally Handicapped**  
**Statement of Financial Position**

March 31	2018		2017 (Restated) (Note 15)	
	General Fund	Capital Asset Fund	Total	Total
<b>Assets</b>				
<b>Current</b>				
Cash and short-term investments (Note 9)	\$ 1,016,019	\$ -	\$ 1,016,019	\$ -
Accounts receivable	700,338	-	700,338	53,184
Prepaid expenses	<u>45,398</u>	-	<u>45,398</u>	<u>37,743</u>
	1,761,755	-	1,761,755	90,927
Capital asset reserve accounts (Note 6)	-	53,424	53,424	52,476
Due from Winnifred Stewart Foundation (Note 3)	561,258	-	561,258	504,442
Capital assets (Note 4)	<u>-</u>	<u>1,821,018</u>	<u>1,821,018</u>	<u>1,951,303</u>
	<u>\$ 2,323,013</u>	<u>\$ 1,874,442</u>	<u>\$ 4,197,455</u>	<u>\$ 2,599,148</u>
<b>Liabilities</b>				
<b>Current</b>				
Bank indebtedness (Note 9)	\$ -	\$ -	\$ -	\$ 60,755
Operating line of credit (Note 12)	-	-	-	20,000
Accounts payable and accruals	436,144	-	436,144	470,133
Deferred contributions - operating	1,398,719	-	1,398,719	13,668
Current portion of long-term debt (Note 5)	<u>-</u>	<u>97,952</u>	<u>97,952</u>	<u>27,637</u>
	1,834,863	97,952	1,932,815	592,193
Long-term debt (Note 5)	<u>-</u>	<u>243,751</u>	<u>243,751</u>	<u>342,192</u>
	<u>1,834,863</u>	<u>341,703</u>	<u>2,176,566</u>	<u>934,385</u>
<b>Net Assets</b>				
Capital asset fund	-	1,532,739	1,532,739	1,633,950
General fund	<u>488,150</u>	<u>-</u>	<u>488,150</u>	<u>30,813</u>
	<u>488,150</u>	<u>1,532,739</u>	<u>2,020,889</u>	<u>1,664,763</u>
	<u>\$ 2,323,013</u>	<u>\$ 1,874,442</u>	<u>\$ 4,197,455</u>	<u>\$ 2,599,148</u>

Commitment (Note 8)

On behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

# The Winnifred Stewart Association for the Mentally Handicapped

## Statement of Cash Flows

Year Ended March 31	2018	2017
		(Restated) (Note 15)
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Excess (deficiency) of revenues over expenditures	\$ 356,113	\$ (182,540)
Add items not affecting cash:		
Gain on sale of capital assets	-	(3,500)
Amortization of capital assets	<u>164,452</u>	<u>161,035</u>
	520,565	(25,005)
Changes in non-cash operating working capital (Note 9)	<u>696,253</u>	<u>(602,395)</u>
	<u>1,216,818</u>	<u>(627,400)</u>
<b>Investing</b>		
Proceeds on sale of capital assets	-	3,500
Purchase of capital assets	(34,167)	-
Increase in externally restricted cash	<u>(935)</u>	<u>(948)</u>
	<u>(35,102)</u>	<u>2,552</u>
<b>Financing</b>		
Repayment of long-term debt	(28,126)	(27,077)
(Repayment) proceeds from operating line of credit (Note 12)	(20,000)	20,000
Advances (to) from the Winnifred Stewart Foundation	<u>(56,816)</u>	<u>23,555</u>
	<u>(104,942)</u>	<u>16,478</u>
Decrease in cash and cash equivalents	1,076,774	(608,370)
Cash and cash equivalents (bank indebtedness) (Note 9)		
Beginning of year	<u>(60,755)</u>	<u>547,615</u>
End of year	<u>\$ 1,016,019</u>	<u>\$ (60,755)</u>

Supplemental cash flow information (Note 9)

See accompanying notes to the financial statements.



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# **The Winnifred Stewart Association for the Mentally Handicapped**

## **Notes to the Financial Statements**

March 31, 2018

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### **1. Purpose of the Association**

The Winnifred Stewart Association for the Mentally Handicapped ("the Association") is a volunteer not-for-profit organization, incorporated under the Alberta Societies Act that works in partnership with individuals with a developmental disability, their families and the community to create and provide comprehensive services. It is a registered charity under the Income Tax Act.

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### **2. Summary of significant accounting policies**

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

#### **Use of estimates and measurement uncertainty**

In preparing the Association's financial statements in conformity with ASNPO, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from those estimates.

The most significant estimates included in these financial statements are the useful lives of capital assets.

#### **Fund accounting**

The Association follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Association's program delivery and administrative activities.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Association's investment in capital assets and capital replacement fund (Note 6).

#### **Revenue recognition**

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Funds received in advance of the expenditures are reported as deferred contributions – operating.

Restricted contributions related to the purchase of capital assets are recognized as revenue of the Capital Asset Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

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# The Winnifred Stewart Association for the Mentally Handicapped

## Notes to the Financial Statements

March 31, 2018

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### 2. Summary of significant accounting policies (cont'd)

#### Revenue recognition (cont'd)

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Investment income earned on Capital Asset Fund resources is recognized as revenue of the Capital Asset Fund. Other investment income is recognized as revenue of the General Fund when earned.

#### Cash and cash equivalents

Cash and cash equivalents include unrestricted cash on hand, balances with banks, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities. Cash and cash equivalents also includes externally restricted cash of \$13,928 (2017 - \$151) related to casino funds (Note 9).

#### Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	5%
Furniture, fixtures and equipment	10%
Vehicles	20%

Costs are capitalized on properties which are under construction, including all expenditures incurred in connection with the acquisition, development, and construction. Amortization of this asset commences when the property is complete and available for use.

#### Donated materials and contributed services

A number of donors contribute goods and capital assets to the Association. The Association values these goods based on independent appraisals and invoices received for similar assets.

The work of the Association is dependent on voluntary services of individuals. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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# The Winnifred Stewart Association for the Mentally Handicapped

## Notes to the Financial Statements

March 31, 2018

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### 2. Summary of significant accounting policies (cont'd)

#### Impairment of long-lived assets

The Association tests for impairment when events or changes in circumstances indicate the carrying amount of an item or class of capital assets may not be recoverable. The recoverability of long-lived assets is based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount. Fair value is determined based on quoted market prices where available, otherwise on discounted cash flows over the life of the asset.

#### Financial instruments

##### Initial measurement:

The Association's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

##### Subsequent measurement:

At each reporting date, the Association measures its financial assets and liabilities at amortized cost (less impairment in the case of financial assets). The Association uses the effective interest method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and short-term investments, accounts receivable, due from Winnifred Stewart Foundation, accounts payable and accruals, and long-term debt. The carrying value of financial instruments approximates their fair value due to the short-term nature, unless otherwise noted.

For financial assets measured at amortized cost, the Association regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Association determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

#### Employee future benefits

The Association sponsors a defined contribution pension plan for employees. The cost of the defined contribution plan, in accordance with the plan agreements, is charged to earnings for the period during which the services are rendered.

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# The Winnifred Stewart Association for the Mentally Handicapped

## Notes to the Financial Statements

March 31, 2018

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### 3. Transactions with the Winnifred Stewart Foundation

In accordance with a Transfer, Agency and Trust Agreement with the Winnifred Stewart Foundation ("the Foundation"), effective April 1, 2002, the Association is responsible, as agent, for administering certain fund development activities of the Foundation, and the Foundation funds certain operating and capital expenditures of the Association. The following transactions occurred during the years ended March 31:

	<u>2018</u>	<u>2017</u>
Total funding provided from the Foundation:		
Operating grant	<u>\$ 184,000</u>	<u>\$ 100,000</u>

As at the year end, \$561,258 (2017 - \$504,442) remains receivable from the Foundation. The balance has been disclosed as long-term as the repayments are dependent on the cash flow requirements of the Association. However, the Association may request repayment at any time.

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### 4. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net Book Value</u>	<u>2017 Net Book Value</u>
Land	\$ 553,037	\$ -	\$ 553,037	\$ 553,037
Buildings	3,501,815	2,293,084	1,208,731	1,353,454
Furniture, fixtures and equipment	847,206	832,292	14,914	26,333
Vehicles	<u>173,567</u>	<u>129,231</u>	<u>44,336</u>	<u>18,479</u>
	<u>\$ 5,075,625</u>	<u>\$ 3,254,607</u>	<u>\$ 1,821,018</u>	<u>\$ 1,951,303</u>

In the prior year, the Association sold a vehicle with a net book value of \$nil for net proceeds of \$3,500.

# The Winnifred Stewart Association for the Mentally Handicapped

## Notes to the Financial Statements

March 31, 2018

### 5. Long-term debt

	<u>2018</u>	<u>2017</u>
Residence #4 – 1.12%, repayable in blended monthly payments of \$381, secured by the residence with a net book value of \$71,308 (2017 – \$73,998), due February 1, 2020.	\$ 16,819	\$ 21,187
Residence #6 – 1.43% (2017 – 1.67%), repayable in blended monthly payments of \$463 (2017- \$468), secured by the residence with a net book value of \$97,279 (2017 - \$101,152), due April 1, 2022 (2017 – April 1, 2017).	46,516	51,379
Residence #13 – 2.54% (2017 - 3.19%), repayable in blended monthly payments of \$894 (2017 - \$930), secured by the residence with a net book value of \$161,659 (2017 - \$170,393), due July 1, 2022 (2017 – August 1, 2017).	112,714	120,376
Residence #14 – 2.79%, repayable in blended monthly payments of \$772, secured by the residence with a net book value of \$157,938 (2017 - \$166,176), due April 1, 2020.	92,251	98,857
Residence #16 – 5.14%, repayable in blended monthly payments of \$707, secured by the land with a book value of \$646,552 (2017 - \$696,715), due August 1, 2018.	<u>73,403</u>	<u>78,030</u>
	<b>341,703</b>	<b>369,829</b>
Less: current portion	<u>97,952</u>	<u>27,637</u>
	<b><u>\$ 243,751</u></b>	<b><u>\$ 342,192</u></b>

Estimated principal repayments over the next five years and thereafter, assuming renewals under similar terms, are as follows:

2019	\$ 97,952
2020	24,591
2021	25,120
2022	24,520
2023	21,602
Thereafter	<u>147,918</u>
	<b><u>\$ 341,703</u></b>

The Association has signed an agreement with Alberta Seniors and Housing whereby the Association receives a mortgage subsidy based upon the operation of certain residences. During the year, the Association received \$24,896 (2017 - \$20,661) in subsidy payments that have been included in residential services revenue of the General Fund.

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# The Winnifred Stewart Association for the Mentally Handicapped

## Notes to the Financial Statements

March 31, 2018

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### 6. Capital Replacement Fund

The Capital Replacement Fund is an externally restricted fund that has been established to fund approved major repairs and replacements for specific residences under the agreements with the Alberta Seniors and Housing. Funds totalling \$53,424 (2017 - \$52,476) required for specific residences are maintained in interest-bearing savings accounts.

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### 7. Administration building operations

Under terms of an agreement with the Province of Alberta, the Winnifred Stewart School building is leased from the Province up to November 23, 2027 for total consideration of \$1. Under the agreement, the Province is responsible for all repairs, maintenance and operating costs.

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### 8. Commitment

#### Utility contract

The Association has entered into a five-year supply agreement with a utility company. The contract will supply the Association with electricity for 10 of its residences at a rate of \$0.08 per kilowatt hour. Management estimates the average annual consumption to be 360,000 kilowatt hours. The agreement expires June 30, 2018.

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9. Supplemental cash flow information	<u>2018</u>	<u>2017</u>
Change in non-cash operating working capital		
Accounts receivable	\$ (647,154)	\$ 659,007
Prepaid expenses	(7,655)	(2,005)
Accounts payable and accruals	(33,989)	11,115
Deferred contributions - operating	<u>1,385,051</u>	<u>(1,270,512)</u>
	<u>\$ 696,253</u>	<u>\$ (602,395)</u>
Interest paid	<u>\$ 10,639</u>	<u>\$ 12,034</u>

**The Winnifred Stewart Association for the Mentally Handicapped**  
**Notes to the Financial Statements**

March 31, 2018

**9. Supplemental cash flow information (cont'd)**

Cash (bank indebtedness) and short-term investments include the following:

	<u>Unrestricted</u>	<u>Externally Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Cash (bank indebtedness)	\$ 502,091	\$ -	\$ 502,091	\$ (60,906)
Casino funds	-	13,928	13,928	151
Investments – term deposits	500,000	-	500,000	-
	<u>\$ 1,002,091</u>	<u>\$ 13,928</u>	<u>\$ 1,016,019</u>	<u>\$ (60,755)</u>

**10. Interfund transfers**

Interfund transfers for the year are comprised of the following from the General Fund:

	<u>2018</u>	<u>2017</u>
Repayment of long-term debt	\$ 38,765	\$ 39,111
Increase in capital asset reserve accounts	935	948
Capital assets purchases	34,167	-
Donations for capital assets	<u>(51,368)</u>	<u>-</u>
	<u>\$ 22,499</u>	<u>\$ 40,059</u>

**11. Pension expense**

The expense recorded in relation to the defined contribution plan for the year ended March 31, 2018 was \$100,235 (2017 - \$110,621).

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# The Winnifred Stewart Association for the Mentally Handicapped

## Notes to the Financial Statements

March 31, 2018

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### 12. Operating line of credit

The Association has a line of credit available for a total of \$500,000 (2017 - \$500,000), bearing interest at bank prime plus 1.25%. In the current year, \$nil (2017 - \$20,000) has been drawn on this facility. The collateral security lodged by the Association for the line of credit is a general security agreement over the assets of the Association.

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### 13. Financial instrument risks

The Association's main financial instrument risk exposure is detailed as follows:

It is management's opinion that the Association is not exposed to significant interest rate risk arising from financial instruments as the interest rate on the long-term debt agreements are fixed. The Association is subject to interest rate risk related to the variable interest rate on its line of credit, however, as of year end, no amounts have been drawn on this facility.

As the Association is funded primarily by government and other grants, it is not subject to significant credit risk.

The Association may be exposed to liquidity risk as the Association could encounter difficulty in meeting obligations associated with its financial liabilities. The Association is, therefore, exposed to liquidity risk with respect to its accounts payable and long-term debt.

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### 14. Additional information for fundraising activities

	<u>2018</u>	<u>2017</u>
Income from:		
Donation, grants and memberships	\$ 52,168	\$ 2,650
Other	606	434
Casino (net of expenses)	<u>58,872</u>	<u>340</u>
	<u>\$ 111,646</u>	<u>\$ 3,424</u>



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## The Winnifred Stewart Association for the Mentally Handicapped

### Notes to the Financial Statements

March 31, 2018

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#### 15. Prior period adjustment

For the year ended March 31, 2018, the Association reviewed its year end liabilities and determined that the accrued vacation liability was not appropriately recorded. As a result, the Association determined that an additional liability amount was required to be recorded, and a prior period adjustment was completed.

The above changes have been applied retroactively and the 2017 comparative figures have been restated as follows:

	March 31, 2017 <u>(as previously stated)</u>	Adjustments due <u>to restatement</u>	March 31, 2017 <u>(as restated)</u>
<u>Statement of Financial Position</u>			
Accounts payable and accruals \$	132,235	\$ 337,898	\$ 470,133
General fund net assets, beginning of year	\$ 368,711	\$ (337,898)	\$ 30,813
<u>Statement of Changes in Net Assets</u>			
General fund net assets, beginning of year	\$ 368,711	\$ (337,898)	\$ 30,813
Total net assets beginning of year	\$ 2,002,661	\$ (337,898)	\$ 1,664,763