

Financial Statements

The Winnifred Stewart Association for the
Mentally Handicapped

March 31, 2019

Contents

	Page
Independent Auditor's Report	1 - 3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 15

Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Winnifred Stewart Association for the Mentally Handicapped (the "Association"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Winnifred Stewart Association for the Mentally Handicapped as at March 31, 2019, 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.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's 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 auditor's 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 these 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Association 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.



We 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.

Edmonton, Canada

May 27, 2019

Grant Thornton LLP

Chartered Professional Accountants

The Winnifred Stewart Association for the Mentally Handicapped

Statement of Operations

Year Ended March 31

2019

2018

	General Fund	Capital Asset Fund	Total	Total
Revenues				
Residential services	\$ 5,703,549	\$ -	\$ 5,703,549	\$ 5,637,191
Day services	3,532,415	-	3,532,415	3,594,803
Donations, grants and memberships	15,958	22,433	38,391	111,646
Interest	<u>5,612</u>	<u>-</u>	<u>5,612</u>	<u>2,609</u>
	<u>9,257,534</u>	<u>22,433</u>	<u>9,279,967</u>	<u>9,346,249</u>
Expenditures				
Residential services	5,073,028	-	5,073,028	4,917,844
Day services	2,938,611	-	2,938,611	2,999,287
Administration	998,697	-	998,697	1,081,914
Amortization of capital assets	-	185,471	185,471	164,452
Mortgage interest	<u>-</u>	<u>8,778</u>	<u>8,778</u>	<u>10,639</u>
	<u>9,010,336</u>	<u>194,249</u>	<u>9,204,585</u>	<u>9,174,136</u>
Excess (deficiency) of revenues over expenditures before other item	<u>247,198</u>	<u>(171,816)</u>	<u>75,382</u>	<u>172,113</u>
Other item				
Winnifred Stewart Foundation grants (Note 3)	<u>10,000</u>	<u>76,041</u>	<u>86,041</u>	<u>184,000</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 257,198</u>	<u>\$ (95,775)</u>	<u>\$ 161,423</u>	<u>\$ 356,113</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	2019			2018
	<u>General Fund</u>	<u>Capital Asset Fund</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 488,150	\$ 1,532,739	\$ 2,020,889	\$ 1,664,763
Excess (deficiency) of revenues over expenditures	257,198	(95,775)	161,423	356,113
Interest on capital reserve	-	-	-	13
Interfund transfers (Note 10)	<u>(23,131)</u>	<u>23,131</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 722,217</u>	<u>\$ 1,460,095</u>	<u>\$ 2,182,312</u>	<u>\$ 2,020,889</u>

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

March 31

2019

2018

	General Fund	Capital Asset Fund	<u>Total</u>	<u>Total</u>
Assets				
Current				
Cash and short-term investments (Note 9)	\$ 1,278,203	\$ -	\$ 1,278,203	\$ 1,016,019
Accounts receivable	687,847	-	687,847	700,338
Prepaid expenses	86,706	-	86,706	45,398
	<u>2,052,756</u>	-	<u>2,052,756</u>	<u>1,761,755</u>
Capital asset reserve accounts (Note 6)	-	60,318	60,318	53,424
Due from Winnifred Stewart Foundation (Note 3)	510,986	-	510,986	561,258
Capital assets (Note 4)	-	1,712,141	1,712,141	1,821,018
	<u>\$ 2,563,742</u>	<u>\$ 1,772,459</u>	<u>\$ 4,336,201</u>	<u>\$ 4,197,455</u>
Liabilities				
Current				
Accounts payable and accruals	\$ 456,767	\$ -	\$ 456,767	\$ 436,144
Deferred contributions - operating	1,384,758	-	1,384,758	1,398,719
Current portion of long-term debt (Note 5)	-	38,101	38,101	97,952
	<u>1,841,525</u>	<u>38,101</u>	<u>1,879,626</u>	<u>1,932,815</u>
Long-term debt (Note 5)	-	274,263	274,263	243,751
	<u>1,841,525</u>	<u>312,364</u>	<u>2,153,889</u>	<u>2,176,566</u>
Net Assets				
Capital asset fund	-	1,460,095	1,460,095	1,532,739
General fund	722,217	-	722,217	488,150
	<u>722,217</u>	<u>1,460,095</u>	<u>2,182,312</u>	<u>2,020,889</u>
	<u>\$ 2,563,742</u>	<u>\$ 1,772,459</u>	<u>\$ 4,336,201</u>	<u>\$ 4,197,455</u>

Commitment (Note 8)

On behalf of the Board

 Director

 Director

**The Winnifred Stewart Association for the Mentally
Handicapped
Statement of Cash Flows**

Year Ended March 31

2019

2018

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenues over expenditures	\$ 161,423	\$ 356,113
Add items not affecting cash:		
Amortization of capital assets	<u>185,471</u>	<u>164,452</u>
	<u>346,894</u>	<u>520,565</u>

Changes in non-cash operating working capital (Note 9)	<u>(22,155)</u>	<u>696,253</u>
	<u>324,739</u>	<u>1,216,818</u>

Investing

Purchase of capital assets	(76,593)	(34,167)
Increase in externally restricted cash	<u>(6,895)</u>	<u>(935)</u>
	<u>(83,488)</u>	<u>(35,102)</u>

Financing

Repayment of long-term debt	(29,339)	(28,126)
Repayment of operating line of credit (Note 12)	-	(20,000)
Advances from (to) the Winnifred Stewart Foundation	<u>50,272</u>	<u>(56,816)</u>
	<u>20,933</u>	<u>(104,942)</u>

Increase in cash and cash equivalents	262,184	1,076,774
---------------------------------------	---------	-----------

Cash and cash equivalents (bank indebtedness) (Note 9)

Beginning of year	<u>1,016,019</u>	<u>(60,755)</u>
End of year	<u>\$ 1,278,203</u>	<u>\$ 1,016,019</u>

Supplemental cash flow information (Note 9)

The Winnifred Stewart Association for the Mentally Handicapped

Notes to the Financial Statements

March 31, 2019

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.

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.

The Winnifred Stewart Association for the Mentally Handicapped

Notes to the Financial Statements

March 31, 2019

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 \$2,522 (2018 - \$13,928) 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.

The Winnifred Stewart Association for the Mentally Handicapped

Notes to the Financial Statements

March 31, 2019

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.

The Winnifred Stewart Association for the Mentally Handicapped

Notes to the Financial Statements

March 31, 2019

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>2019</u>	<u>2018</u>
Total funding provided from the Foundation:		
Operating grant	\$ 10,000	\$ 184,000
Casino funds for vehicle purchase	<u>76,041</u>	<u>-</u>
	<u>\$ 86,041</u>	<u>\$ 184,000</u>

As at the year end, \$510,986 (2018 - \$561,258) 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.

4. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Land	\$ 553,037	\$ -	\$ 553,037	\$ 553,037
Buildings	3,501,815	2,437,807	1,064,008	1,208,731
Furniture, fixtures and equipment	847,206	844,960	2,246	14,914
Vehicles	<u>121,985</u>	<u>29,135</u>	<u>92,850</u>	<u>44,336</u>
	<u>\$ 5,024,043</u>	<u>\$ 3,311,902</u>	<u>\$ 1,712,141</u>	<u>\$ 1,821,018</u>

The Winnifred Stewart Association for the Mentally Handicapped
Notes to the Financial Statements
 March 31, 2019

5. Long-term debt

	<u>2019</u>	<u>2018</u>
Residence #4 – 1.12%, repayable in blended monthly payments of \$381, secured by the residence with a net book value of \$68,619 (2018 – \$71,308), due February 1, 2020.	\$ 12,402	\$ 16,819
Residence #6 – 1.43%, repayable in blended monthly payments of \$463, secured by the residence with a net book value of \$93,406 (2018 - \$97,279), due April 1, 2022.	41,589	46,516
Residence #13 – 2.54%, repayable in blended monthly payments of \$894, secured by the residence with a net book value of \$152,925 (2018 - \$161,659), due July 1, 2022.	105,088	112,714
Residence #14 – 2.79%, repayable in blended monthly payments of \$772, secured by the residence with a net book value of \$149,700 (2017 - \$157,938), due April 1, 2020.	85,072	92,251
Residence #16 – 3.53%, repayable in blended monthly payments of \$652, secured by the residence with a net book value of \$596,389 (2018 - \$646,552), due June 1, 2023.	<u>68,213</u>	<u>73,403</u>
	<u>312,364</u>	<u>341,703</u>
Less: current portion	<u>38,101</u>	<u>97,952</u>
	<u>\$ 274,263</u>	<u>\$ 243,751</u>

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

2020	\$ 38,101
2021	26,311
2022	27,006
2023	27,721
2024	28,456
Thereafter	<u>164,769</u>
	<u>\$ 312,364</u>

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 \$25,343 (2018 - \$24,896) in subsidy payments that have been included in residential services revenue of the General Fund.

The Winnifred Stewart Association for the Mentally Handicapped

Notes to the Financial Statements

March 31, 2019

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 \$60,318 (2018 - \$53,424) required for specific residences are maintained in interest-bearing savings accounts.

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.

8. Commitment

The Association has committed to acquire a building (Residence #9), that it currently owns jointly with two residents of the building, once certain conditions have been met. The commitment to purchase is for \$68,000. The conditions have not been met as of year end and therefore, no amounts have been recorded in the financial statements as of March 31, 2019.

9. Supplemental cash flow information

	<u>2019</u>	<u>2018</u>
Change in non-cash operating working capital		
Accounts receivable	\$ 12,491	\$ (647,154)
Prepaid expenses	(41,308)	(7,655)
Accounts payable and accruals	20,623	(33,989)
Deferred contributions - operating	<u>(13,961)</u>	<u>1,385,051</u>
	<u>\$ (22,155)</u>	<u>\$ 696,253</u>
Interest paid	<u>\$ 8,778</u>	<u>\$ 10,639</u>

The Winnifred Stewart Association for the Mentally Handicapped

Notes to the Financial Statements

March 31, 2019

9. Supplemental cash flow information (cont'd)

Cash and short-term investments include the following:

	<u>Unrestricted</u>	<u>Externally Restricted</u>	<u>2019 Total</u>	<u>2018 Total</u>
Cash	\$ 775,681	\$ -	\$ 775,681	\$ 502,091
Casino funds	-	2,522	2,522	13,928
Investments – term deposits	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
	<u>\$ 1,275,681</u>	<u>\$ 2,522</u>	<u>\$ 1,278,203</u>	<u>\$ 1,016,019</u>

10. Interfund transfers

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

	<u>2019</u>	<u>2018</u>
Repayment of long-term debt	\$ 38,117	\$ 38,765
Increase in capital asset reserve accounts	6,895	935
Capital assets purchases	552	34,167
Donations for capital assets	<u>(22,433)</u>	<u>(51,368)</u>
	<u>\$ 23,131</u>	<u>\$ 22,499</u>

11. Pension expense

The expense recorded in relation to the defined contribution plan for the year ended March 31, 2019 was \$103,995 (2018 - \$100,235).

The Winnifred Stewart Association for the Mentally Handicapped

Notes to the Financial Statements

March 31, 2019

12. Operating line of credit

The Association has a line of credit available for a total of \$500,000 (2018 - \$500,000), bearing interest at bank prime plus 1.25%. In the current year, \$nil (2018 - \$nil) 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.

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.

14. Additional information for fundraising activities

	<u>2019</u>	<u>2018</u>
Income from:		
Donation, grants and memberships	\$ 23,223	\$ 52,168
Other	1,241	606
Casino (net of expenses)	<u>13,927</u>	<u>58,872</u>
	<u>\$ 38,392</u>	<u>\$ 111,646</u>

