

4 WING MILITARY FAMILY RESOURCE CENTRE SOCIETY (MFRCS)

Financial Statements

For the Year Ended March 31, 2019



COLBY•STECKLY
CHARTERED PROFESSIONAL ACCOUNTANTS

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COLBY•STECKLY

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of 4 Wing Military Family Resource Centre Society (MFRCS)

Qualified Opinion

We have audited the financial statements of 4 Wing Military Family Resource Centre Society (MFRCS) (the Society), which comprise the statement of financial position as at March 31, 2019, and the statements of revenues and expenditures, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities 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 Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at March 31, 2019. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

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 Society 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

The financial statements of 4 Wing Military Family Resource Centre Society (MFRCS) for the year ended March 31, 2018 were audited by another auditor who expressed a qualified opinion on those financial statements on September 18, 2018 for the reasons described in the *Basis for Qualified Opinion* section.

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.

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Independent Auditor's Report to the Members of 4 Wing Military Family Resource Centre Society (MFRCS) *(continued)*

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

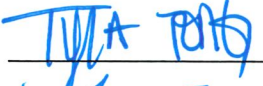
4 WING MILITARY FAMILY RESOURCE CENTRE SOCIETY (MFRCS)

Statement of Financial Position

As at March 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 374,693	\$ 590,021
Restricted cash (Note 4)	882,135	937,934
Short term investments (Note 5)	100,637	-
Accounts receivable	88,789	43,601
Inventory	18,160	36,481
Goods and services tax recoverable	12,878	4,598
Prepaid expenses	26,705	3,428
	<u>1,503,997</u>	<u>1,616,063</u>
PROPERTY AND EQUIPMENT (Note 3)	161,771	130,558
LONG TERM INVESTMENTS (Note 5)	405,402	-
RESTRICTED CASH (Note 4)	30,597	231,785
	<u>\$ 2,101,767</u>	<u>\$ 1,978,406</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 44,479	\$ 71,688
Wages payable (Note 8)	92,111	49,851
Employee deductions payable	20,060	14,191
Pension contributions payable	5,596	-
Unearned revenue (Note 9)	873,415	915,934
Deferred contributions (Note 10)	-	22,000
	<u>1,035,661</u>	<u>1,073,664</u>
NET ASSETS		
Unrestricted (Note 7)	92,660	351,427
Invested in Capital Assets (Note 3)	161,771	130,558
Internally Restricted (Note 6)	506,039	181,473
Externally Restricted (Note 7)	305,636	241,284
	<u>1,066,106</u>	<u>904,742</u>
	<u>\$ 2,101,767</u>	<u>\$ 1,978,406</u>

ON BEHALF OF THE BOARD

 _____ Trustee

 _____ Trustee

See notes to financial statements

4 WING MILITARY FAMILY RESOURCE
Statement of Financial Position

	Unrestricted			Externally Restricted				Early Learning Childcare Centre	
	General Fund		Day Care	MFS Fund		4 Wing Fund	AGLC	True Patriot Love	
	2019		2019	2019		2019	2019	2019	2019
REVENUES									
Core government funding	\$		\$	\$	\$	\$	\$	\$	\$
Donations		123,964	-	-	903,970	201,226	-	-	544,352
Fee for service		174,616	10,000	-	-	-	-	-	-
Fundraising		61,442	471,027	-	-	-	-	-	-
Gender based violence		-	-	-	-	-	28,500	-	-
Government supplemental grant		-	-	11,734	-	-	-	-	-
Interest earned		6,049	-	-	-	-	-	-	-
Lakeland united way grant		22,200	-	-	-	-	-	-	-
Other grants and subsidies		58,255	228,212	-	-	-	-	-	-
Other revenue		3,345	165	-	-	-	-	-	-
True patriot love		-	-	-	-	-	-	28,000	-
Veterans family program		-	-	42,142	-	-	-	-	-
	449,871		709,404	957,846	201,226	28,500	28,000		544,352

See notes to financial statements

4 WING MILITARY FAMILY RESOURCE
Statement of Revenue
For the

	General Fund	Day Care	MFS Fund	4 Wing Fund	AGLC	True Patriot Love	Early Learning Childcare Centre
	2019	2019	2019	2019	2019	2019	2019
EXPENSES							
Core programs	73,911	10,124	172,768	1,539	13,791	11,512	-
Depreciation of capital assets	-	6,258	5,845	4,104	-	-	-
Fundraising	67,254	-	10,730	-	-	-	-
Gender based violence	-	-	11,667	-	-	-	-
Management and administration	33,108	60,997	102,649	53,515	93	-	-
Supplemental funded programs	-	-	-	-	-	-	-
Veterans family program	-	-	32,057	-	-	-	-
Wages and benefits	138,804	661,858	627,918	79,925	33,056	-	417,401
Affordability	-	-	-	-	-	-	25,323
Access	-	-	-	-	-	-	26,130
Quality	-	-	-	-	-	-	75,498
Wage floors	-	-	-	-	-	-	-
	313,077	739,237	963,634	139,083	46,940	11,512	544,352

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES

\$	136,794	\$	(29,833)	\$	(5,788)	\$	62,143	\$	(18,440)	\$	16,488	\$	-
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See notes to financial statements

4 WING MILITARY FAMILY RESOURCE CENTRE SOCIETY (MFRCS)
Statement of Changes in Net Assets
For the Year Ended March 31, 2019

	Unrestricted	Invested in Capital Assets	Internally Restricted	Externally Restricted	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 351,427	\$ 130,558	\$ 181,473	\$ 241,284	\$ 904,742	\$ 576,920
Excess of revenues over expenses	106,961	-	-	54,403	161,364	327,822
Amortization transferred in	6,258	-	-	9,949	16,207	-
Amortization transferred out	-	(16,207)	-	-	(16,207)	-
Transferred out	(371,986)	-	-	-	(371,986)	-
Transferred in	-	47,420	324,566	-	371,986	-
NET ASSETS - END OF YEAR	\$ 92,660	\$ 161,771	\$ 506,039	\$ 305,636	\$ 1,066,106	\$ 904,742

See notes to financial statements



4 WING MILITARY FAMILY RESOURCE CENTRE SOCIETY (MFRCS)

Statement of Cash Flows

For the Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Cash receipts from members and funders	\$ 2,809,493	\$ 2,835,114
Cash paid to suppliers and employees	(2,720,069)	(1,749,421)
Goods and services tax	(8,280)	(4,598)
Cash flow from operating activities	81,144	1,081,095
INVESTING ACTIVITIES		
Additions to capital assets	(47,420)	(50,074)
Purchase of term deposits	(100,637)	-
Purchase of long term GIC investments	(405,402)	-
Cash flow used by investing activities	(553,459)	(50,074)
INCREASE (DECREASE) IN CASH FLOW	(472,315)	1,031,021
Cash - beginning of year	1,759,740	728,719
CASH - END OF YEAR	\$ 1,287,425	\$ 1,759,740
CASH CONSISTS OF:		
Cash	\$ 374,693	\$ 590,021
Restricted cash - current	882,135	937,934
Restricted cash - long term	30,597	231,785
	\$ 1,287,425	\$ 1,759,740

See notes to financial statements

1. PURPOSE OF THE SOCIETY

4 Wing Military Family Resource Centre Society (MFRCS) (the "Society") is a not-for-profit organization incorporated provincially under the Companies Act of Alberta. As a registered charity the society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The society provides programs and services that promote the well-being of military families and the surrounding community under the vision "Community Strength through Family Strength".

The mission of the society is to enable a mission ready force by addressing the challenges faced by Canadian Forces members and their families that result from military service and to work for the general betterment of life for military families within 4 Wing's area of responsibility. The society assesses the needs of the community and responds with a professional and consistent system of support, programs, services, and activities. This community-based system of family support is to be aimed at promoting health and social well-being.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Cash and restricted cash

Cash includes cash only. Restricted cash includes amounts that are restricted for a specific use.

Investments

Short-term investments are carried at amortized cost and consist primarily of GICs with original maturities beyond three months and less than twelve months at the purchase date.

Restricted short term investments include GICs and are valued at cost plus accrued interest. The carrying amounts approximate fair value as they are renewed on an annual basis. Investments are classified as long term where the maturity dates exceed one calendar year or they are restricted internally to be held for other than current purposes.

Inventory

Inventory consists of materials and supplies to be consumed in the rendering of services, in addition to promotional items for sale or giveaway. Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a straight-line basis at the following rates:

Equipment	10%
Leasehold improvements	10%

The society regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition - Fund accounting

4 Wing Military Family Resource Centre Society (MFRCS) follows the restricted fund method of accounting for contributions.

Under the restricted fund method, unrestricted contributions are reported as revenue under the general fund when received or deemed receivable. Restricted contributions are reported as revenue in their respective funds; any restricted contributions which do not belong to a specific fund are recorded as deferred contributions as recorded as revenue in the general fund when the related expenses are incurred.

The Society maintains the following funds:

The General Fund accounts for the society's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants outside of those reported under the restricted Military Family Services ("MFS") or 4 Wing Cold Lake ("4 Wing") Fund. Revenues for restricted contributions are reported under the general fund when the related expenses are incurred.

The Invested in Capital Assets Fund reports the assets, liabilities, revenues and expenses related to 4 Wing Military Family Resource Centre Society (MFRCS)'s capital assets.

The ELCC Fund reports the cumulative excess of revenues over expenses for its Early Learning Child Care Centre (ELCC) and daycare operations, excluding the preschool, out of school care, evening care and emergency and respite care services.

The MFS Fund reports the core funding received from Military Family Services (MFS) net of expenses incurred under the externally restricted use of proceeds.

The 4 Wing Fund reports the core funding received from 4 Wing Cold Lake net of expenses incurred under the externally restricted use of proceeds.

The Alberta Gaming Liquor Commission (AGLC) Fund reports the restricted contributions received and reported to the AGLC. These funds are also maintained in a separate bank accounts as per AGLC directive.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*Contributed services and materials

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. When the fair value of donated materials and services cannot be reasonably determined they are not reflected in the financial statements.

When a fair value can be reasonably estimated and when the contributed materials or services are used in the normal course of operations, they are expensed and the associated contribution revenue is recognized.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Other machinery and equipment	\$ 161,827	\$ 30,258	\$ 131,569	\$ 130,558
Leasehold improvements	31,792	1,590	30,202	-
	<u>\$ 193,619</u>	<u>\$ 31,848</u>	<u>\$ 161,771</u>	<u>\$ 130,558</u>

Other machinery and equipment includes \$15,654 of unamortized assets as they have not been put in use.

4. RESTRICTED CASH

Restricted cash includes contributions received from the Alberta Gaming, Liquor and Cannabis Commission (AGLC) that are maintained in a separate account per AGLC directive of \$30,597 (2018 - \$50,313), a savings account of \$0 (2018 - \$181,472), and funding subject to externally imposed usage restrictions of \$882,135 (2018 - \$937,934)

In the current period, internally restricted cash in the savings account was used to purchase multiple GIC investments.

5. INVESTMENTS

	2019	2018
Non-redeemable GIC bearing fixed annual interest of 2.55%, maturing Sept 26, 2020	\$ 202,599	\$ -
Non-redeemable GIC bearing fixed annual interest of 2.75%, maturing Sept 26, 2021	202,803	-
TOTAL - LONG TERM INVESTMENTS	405,402	-
Cashable GIC bearing fixed interest of 1.25%, maturing Sept 26, 2019	100,637	-
TOTAL - SHORT TERM INVESTMENTS	100,637	-
	\$ 506,039	\$ -

The non-redeemable GICs have redemption options only on their anniversary date of September 26th.

6. INTERNALLY RESTRICTED FUNDS

The internally restricted fund consists of GIC investments held with Lakeland Credit Union that have been internally restricted by way of board directive to cover future shortages should there be significant changes to the Society's funding.

7. SUPPLEMENT TO NET ASSETS

This note serves to break down the composition of the unrestricted and restricted net asset categories as presented on the balance sheet and statement of changes in net asset schedule.

	Opening Balance	Revenues	Expenses and Transfers	Ending Balance
General Fund	\$ 337,231	\$ 449,871	\$ 685,063	\$ 102,039
Day Care	14,196	709,404	732,979	(9,379)
Unrestricted	351,427	1,159,275	1,418,042	92,660
MFS Fund	82,296	957,846	957,789	82,353
4 Wing Fund	116,443	201,226	134,979	182,690
AGLC	50,313	28,500	46,940	31,873
True Patriot Love	(7,768)	28,000	11,512	8,720
Early Learning Childcare Centre	-	544,352	544,352	-
Externally restricted	241,284	1,759,924	1,695,572	305,636

8. WAGES PAYABLE

	2019	2018
Salaries Payable	\$ 52,690	\$ 37,278
Banked Overtime Payable	6,480	3,707
Vacation Payable	32,940	8,865
	<u>\$ 92,110</u>	<u>\$ 49,850</u>

In the prior period there were employees that took vacation in excess of their entitlement which resulted in a significantly lower year end accrual.

9. UNEARNED REVENUE

Unearned revenue consists of restricted funds that were received in advance of the upcoming fiscal period.

	2019	2018
Canadian Forces Morale and Welfare: MFS Core Funding	\$ 230,129	\$ 239,018
Minister of Children's Services: Early Learning and Child Care	629,995	669,347
Childcare fees	10,915	7,244
Event deposits	2,376	325
	<u>\$ 873,415</u>	<u>\$ 915,934</u>

10. DEFERRED CONTRIBUTIONS

Deferred contributions represent externally restricted funds reported under the general fund for which the related expenses were not incurred as at year end.

	Beginning balance	Additions	Realized	2019	2018
Cenovus - child care nutrition	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ 10,000
True Patriot Love	12,000	16,000	28,000	-	12,000
	<u>\$ 22,000</u>	<u>\$ 16,000</u>	<u>\$ 38,000</u>	<u>\$ -</u>	<u>\$ 22,000</u>

11. IN-KIND CONTRIBUTIONS

During the year, the Society received measurable donated goods and services totaling \$18,773 (2018 - \$225).

12. LEASE COMMITMENTS

The Society is committed to lease agreements for two copier/printers expiring July 31st and August 31st, 2019. Lease payments due on active agreements are as follows:

Contractual obligation repayment schedule:

2020	\$ <u>2,349</u>
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13. ECONOMIC DEPENDENCE

The society receives the majority of their annual funding in addition to cost-free infrastructure through various agreements represented by Military Family Services. Should the core provisions of these agreements substantially change, management is of the opinion that the society's offerings would need to be revised in order to continue functioning as a going concern.

14. FINANCIAL INSTRUMENTS

The society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the society's risk exposure and concentration as of March 31, 2019.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The society is exposed to this risk mainly in respect of its receipt of funds from its funders and other related sources, pension contributions payable, accounts payable and accrued liabilities.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The society is mainly exposed to interest rate risk.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the society manages exposure through its normal operating and financing activities. The society is exposed to interest rate risk primarily through its term deposits.

Unless otherwise noted, it is management's opinion that the society is not exposed to significant other price risks arising from these financial instruments.

15. SUBSEQUENT EVENTS

The following events occurred subsequent to the fiscal year end:

Subsequent to the year end there was a settlement with a terminated employee subject to a non-disclosure agreement for an immaterial amount.

The Society's ELCC funding is composed of various expenditure groups, primarily realizing revenue on a cost-recovery basis. Subsequent to the year end, the Society's Executive Director submitted a proposal to cover holistic program's deficit with one of the other expenditure groups unearned revenue. This proposal is still being reviewed at the time of these statement's issuance.

Subsequent to the year end, \$60,863 was transferred from the raffle account to the general account as repayment for restricted expenditures originally paid for by general funds.

In April 2019 the Society invested \$400,000 in term deposits.

The Society secured fundraising in the form of a \$60,000 subsidy for out of school care.

Approval was received to acquire and construct a digital sign. The anticipated cost is \$102,725 + GST which will be paid out of the 4 Wing Fund. This transaction and related construction is likely to be completed before the end of the upcoming fiscal year ended March 31, 2020.

16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
