

CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Financial Statements

Year Ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Connections Counselling and Consulting Foundation

Qualified Opinion

We have audited the financial statements of Connections Counselling and Consulting Foundation (the Connections), which comprise the statement of financial position as at December 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, 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 Connections as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Connections 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 Connections. 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 December 31, 2019, current assets and net assets as at December 31, 2019. Our audit opinion on the financial statements for the year ended December 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 Connections in accordance with 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Connections'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 Connections or to cease operations, or has no realistic alternative but to do so.

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

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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 Connections'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 Connections'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 Connections 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.

Adams MacFarlane

Calgary, Alberta
July 7, 2020

Chartered Professional Accountants

CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Statement of Financial Position

December 31, 2019

	2019	2018
Assets		
Current		
Cash (Note 3)	\$ 798,980	\$ 854,861
Term deposits (Note 4)	395,951	384,678
Accounts receivable	95,925	114,684
Goods and services tax recoverable	3,103	2,100
Prepaid expenses	23,180	15,216
	<u>1,317,139</u>	<u>1,371,539</u>
Property and equipment (Note 5)	<u>11,667</u>	<u>12,263</u>
	<u>\$ 1,328,806</u>	<u>\$ 1,383,802</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 12,443	\$ 68,617
Deferred revenue (Note 6)	318,963	476,728
	<u>331,406</u>	<u>545,345</u>
Deferred capital contribution (Note 7)	3,686	4,608
Deferred lease inducements (Note 2)	3,697	5,714
	<u>338,789</u>	<u>555,667</u>
Net Assets		
Unrestricted surplus	490,017	328,135
Internally restricted surplus (Note 8)	500,000	500,000
	<u>990,017</u>	<u>828,135</u>
	<u>\$ 1,328,806</u>	<u>\$ 1,383,802</u>

Contingent liability (Note 10)

Lease commitments (Note 9)

ON BEHALF OF THE BOARD


 _____ Director

 _____ Director

See notes to financial statements

CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Statement of Operations

Year Ended December 31, 2019

	2019	2018
Revenues		
Fee for service	\$ 1,223,767	\$ 1,017,826
Donations and other revenue	110,416	84,740
Casino revenue	60,569	49,445
Interest income	7,103	6,639
Earned capital contribution	922	1,152
	<u>1,402,777</u>	<u>1,159,802</u>
Expenses		
Salaries and wages	950,179	789,682
Rent	116,048	59,943
Travel	43,720	45,277
Professional fees and program contracts	51,503	84,958
Program supplies	21,815	18,304
Repairs and maintenance	14,199	-
Telephone	13,439	18,077
Insurance	6,727	5,634
Training	6,030	755
Office supplies	5,162	10,079
Program evaluation	4,523	2,782
Business taxes, licences and memberships	2,710	2,113
Fundraising and community outreach	1,062	10,238
Interest and bank charges	409	439
Bad debts	10	477
Amortization	3,359	3,459
	<u>1,240,895</u>	<u>1,052,217</u>
Excess of revenues over expenses	<u>\$ 161,882</u>	<u>\$ 107,585</u>

See notes to financial statements

CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Statement of Changes in Net Assets

Year Ended December 31, 2019

	Unrestricted surplus	Internally restricted surplus	2019	2018
Net assets - beginning of year	\$ 328,135	\$ 500,000	\$ 828,135	\$ 720,550
Excess of revenues over expenses	161,882	-	161,882	107,585
Net assets - end of year	\$ 490,017	\$ 500,000	\$ 990,017	\$ 828,135

CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018
Operating activities		
Excess of revenues over expenses	\$ 161,882	\$ 107,585
Item not affecting cash:		
Amortization of property and equipment	3,359	3,459
	165,241	111,044
Changes in non-cash working capital:		
Accounts receivable	18,759	(32,533)
Accounts payable and accrued liabilities	(56,174)	48,631
Deferred revenue	(157,765)	113,375
Prepaid expenses	(7,964)	(1,946)
Goods and services tax payable	(1,003)	-
Deferred capital contribution	(922)	(1,152)
Deferred lease inducements	(2,017)	3,116
	(207,086)	129,491
Cash flow from (used by) operating activities	(41,845)	240,535
Investing activity		
Purchase of property and equipment	(2,763)	-
Increase (decrease) in cash flow	(44,608)	240,535
Cash - beginning of year	1,239,539	999,004
Cash - end of year	\$ 1,194,931	\$ 1,239,539

See notes to financial statements

CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

1. PURPOSE OF THE CONNECTIONS

Connections Counselling and Consulting Foundation (the "Connections") is a not-for-profit organization incorporated provincially under the Societies Act of Alberta on April 9, 1992. As a registered charity Connections is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

Connections provides counselling services to members of families to help them collectively overcome the challenges that arise from the developmental disability of someone they live with.

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).

Revenue recognition

Connections Counselling and Consulting Foundation follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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 non-capital contributions are recorded as deferred contributions and recognized as revenue in the periods which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions, at fair value when fair value can be reasonably estimated.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the earned capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Unrestricted fundraising and investment earnings are recorded as revenue when earned.

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 declining balance basis at the following rates and methods:

Furniture and equipment	20% declining balance method
Leasehold improvements	5 years straight-line method

Connections regularly reviews its property and equipment to eliminate obsolete items.

Deferred Tenant Inducements

Leasehold inducements, including rent-free periods, are amortized on a straight-line basis over the term of the lease and recorded as deferred revenue and a reduction of rent expense.

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CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated goods

Significant contributions in kind relating to equipment and materials or supplies are recorded at the estimated fair market value of such contributions as received. During the year \$Nil (2018 - \$Nil) in donations in kind were received.

Contributed services

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

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.

In addition, the allocation of revenues and expenses to certain project and funds are subject to measurement uncertainty and are based on management's best information and judgment. Actual results could differ from those estimates. Allocated expenses include all general and administrative expenses. Allocations are determined based on review of the expenses and their relation to each project. Current year cash receipts subject to subsequent expense allocations, for proper revenue recognition purposes, are disclosed in Note 6.

Cash and cash equivalents

Cash consists of bank balances and term certificates with maturities or redemption privileges of one year or less.

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.

Financial assets and liabilities measured at amortized cost include cash, term deposits, accounts receivable and accounts payable and accrued liabilities.

3. RESTRICTED CASH

Cash in the amount of \$7,885 (2018 - \$73,408) is restricted to payment of program and certain operating costs in compliance with Connections' lottery license and commitments to grant authorities.

CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

4. TERM DEPOSITS

	2019	2018
Term deposits	\$ 395,951	\$ 384,678

Term deposits mature at various dates between May 31, 2020 and August 19, 2020 and bear interest at rates between 1.46% and 2.01%.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Furniture and equipment	\$ 15,152	\$ 6,635	\$ 8,517	\$ 7,538
Leasehold improvements	7,874	4,724	3,150	4,725
	\$ 23,026	\$ 11,359	\$ 11,667	\$ 12,263

6. DEFERRED REVENUE

Deferred contributions represent externally restricted funding. The changes in the deferred contributions balance are as follows:

	2019	2018
PDD advance payments	\$ -	\$ 144,686
Casino proceeds	-	67,328
Contract proceeds	48,184	266,503
Transferred to revenue	(205,949)	(365,142)
Subtotal	(157,765)	113,375
Balance at beginning of the year	476,728	363,353
Balance at the end of the year	\$ 318,963	\$ 476,728

7. DEFERRED CAPITAL CONTRIBUTIONS

	2019	2018
Balance at the beginning of the year	\$ 4,608	\$ 5,760
Amortized capital contributions	(922)	(1,152)
Balance at the end of the year	\$ 3,686	\$ 4,608

CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

8. INTERNALLY RESTRICTED SURPLUS

In 2016, the Board established an internally restricted fund for operation reserves. The internally restricted funds can be up to a maximum of nine months payroll and office rent expenses plus \$50,000 for an opportunity to further the mission of Connections. The use of the fund requires approval by the Board. At December 31, 2019 the internally restricted funds were \$500,000 (2018 - \$500,000).

9. LEASE COMMITMENTS

Connections has two long term leases with respect to its premises that expire on August 30, 2020 and October 31, 2021. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at December 31, 2019, are as follows:

2020	\$	103,932
2021		<u>47,276</u>
	\$	<u>151,208</u>

10. CONTINGENT LIABILITY

Under the terms of the funding agreement with Alberta Community and Social Services any unspent contracts funds are refundable to Alberta Community and Social Services pursuant to their review of Connections' financial reporting. Accordingly, the amounts reflected as payable to Alberta Community and Social Services may be amended through negotiation between Alberta Community and Social Services and Connections at the end of the contract term.

11. ECONOMIC DEPENDENCE

Connections provides services to families with special needs. Substantially all revenue is earned under renewable contracts with departments of the Province of Alberta.

12. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Management is uncertain the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on Connections' operations as at the date of these financial statements.

13. FINANCIAL INSTRUMENTS

Connections 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 Connections's risk exposure and concentration as of December 31, 2019.

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CONNECTIONS COUNSELLING AND CONSULTING FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2019

13. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. Connections is exposed to credit risk from customers. Most of Connections' receivables are from departments of the Province of Alberta and historically Connections has not had any collection issues.

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, Connections manages exposure through its normal operating and financing activities. Connections is not exposed to interest rate risk as it carries positive cash flow throughout the year.

14. COMPARATIVE FIGURES

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






2019 Connections Audited Financial Statements[1]

Final Audit Report

2020-07-10

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