

Connections Counselling and Consulting Foundation
Financial Statements
December 31, 2020

Independent Auditor's Report

To the Board of Directors of Connections Counselling and Consulting Foundation

Qualified Opinion

We have audited the financial statements of Connections Counselling and Consulting Foundation (the "Society"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2020, and its financial performance 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 other non-profit organizations, the Society derives revenue from donations or donations in kind, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation revenue was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses and net assets.

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

Other matter

The financial statements of Connections Counselling and Consulting Foundation for the year ended December 31, 2019, were audited by another auditor who expressed a qualified opinion on July 7, 2020.

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 ASNPOs, 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 Society'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 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 Responsibility 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 judgement 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 override of internal control.
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Rice & Company LLP

Chartered Professional Accountants

Calgary, AB
June 8, 2021

Connections Counselling and Consulting Foundation Statement of Financial Position

As at December 31, **2020** **2019**

Assets

Current assets

Cash and cash equivalents	<i>Notes 5 & 6</i>	\$ 848,197	\$ 1,194,931
Accounts receivable		159,488	95,925
Goods and services tax recoverable		3,765	3,103
Prepaid expenses		27,626	23,180
		1,039,076	1,317,139

Non-current term deposits	<i>Note 6</i>	293,151	-
Property and equipment	<i>Note 7</i>	8,389	11,667
		\$ 1,340,616	\$ 1,328,806

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued liabilities		\$ 18,676	\$ 12,443
Deferred revenue	<i>Note 8</i>	319,371	318,963
		338,047	331,406


Deferred capital contribution	<i>Note 9</i>	2,949	3,686
Deferred lease inducements	<i>Note 2.4</i>	1,681	3,697
		342,677	338,789

Net Assets

Unrestricted surplus		497,939	490,017
Internally restricted surplus	<i>Note 10</i>	500,000	500,000
		997,939	990,017
		\$ 1,340,616	\$ 1,328,806

See accompanying notes to the financial statements.

Approved by the Board of Directors,


_____, Director
Neil James


_____, Director
Ian Gray-Donald

Connections Counselling and Consulting Foundation
Statement of Operations

For the year ended December 31,	2020	2019
Revenues		
Fee for service	\$ 1,190,552	\$ 1,223,767
Donation and other revenue	101,903	110,416
Casino revenue	43,610	60,569
Covid-19 government subsidy	25,000	-
Interest revenue	5,793	7,103
Earned capital contribution	737	922
	1,367,595	1,402,777
Expenses		
Salaries and wages	1,047,629	950,106
Rent	129,102	116,048
Professional fees and program contracts	54,155	51,503
Travel	29,886	43,720
Program supplies	28,498	21,815
Telephone	16,874	13,439
Repairs and maintenance	23,208	14,199
Office supplies	7,730	5,162
Program evaluation	7,400	4,523
Amortization	3,278	3,359
Insurance	5,756	6,727
Business taxes, licenses and memberships	2,328	2,710
Community networking	128	1,062
Interest and bank charges	581	409
Bad debts	1	10
Training	3,119	6,103
	1,359,673	1,240,895
Excess of revenue over expenses	\$ 7,922	\$ 161,882

See accompanying notes to the financial statements.

Connections Counselling and Consulting Foundation
Statement of Changes in Net Assets
For the Year Ended December 31, 2020

	Notes	Unrestricted surplus	Internally restricted surplus	2020	2019
Net assets - beginning of year		\$ 490,017	\$ 500,000	\$ 990,017	\$ 828,135
Excess of revenues over expenses		7,922	-	7,922	161,882
Balance at December 31, 2020		<u>\$ 497,939</u>	<u>\$ 500,000</u>	<u>\$ 997,939</u>	<u>\$ 990,017</u>

See accompanying notes to the financial statements.

Connections Counselling and Consulting Foundation
Statement of Cash Flows

For the year ended December 31,	2020	2019
Cash provided by (used in):		
Cash flows from operating activities		
Excess revenues over expenditures	\$ 7,922	\$ 161,882
Items not affecting cash		
Amortization of property and equipment	3,278	3,359
Changes in non-cash working capital		
Accounts receivable	(63,563)	18,759
Goods and services tax receivable	(662)	(1,003)
Prepaid expenses	(4,446)	(7,964)
Accounts payable and accrued liabilities	6,233	(56,174)
Deferred revenue	408	(157,765)
Deferred capital contribution	(737)	(922)
Deferred lease inducements	(2,016)	(2,017)
Net cash used by operating activities	(53,583)	(41,845)
Cash flows from investing activities		
Purchase of property and equipment	-	(2,763)
Purchase of term deposit	(293,151)	-
Net cash used in investing activities	(293,151)	(2,763)
Decrease in cash flow	(346,734)	(44,608)
Cash and cash equivalents, beginning of year	1,194,931	1,239,539
Cash and cash equivalents, end of year	\$ 848,197	\$ 1,194,931

See accompanying notes to the financial statements.

Connections Counselling and Consulting Foundation

Notes to the Financial Statements

Year ended December 31, 2020

1. Purpose of the Organization

Connections Counselling and Consulting Foundation ("Connections") was incorporated as a non-profit Society 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 supports parents with cognitive challenges to maintain a safe and nurturing home for their children.

2. Summary of Significant Accounting Policies

2.1 Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

2.2 Revenue recognition

Connections 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 donations and investment earnings are recorded as revenue when earned.

Connections Counselling and Consulting Foundation
Notes to the Financial Statements
Year ended December 31, 2020

2.3 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.

2.4 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.

2.5 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 \$4,351 (2019 - \$Nil) in donations in kind were received.

2.6 Contributed services

The operations of Connections include 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.

2.7 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.

Connections Counselling and Consulting Foundation

Notes to the Financial Statements

Year ended December 31, 2020

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.

2.8 Cash and cash equivalents

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

2.9 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. Economic Dependency

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

4. Financial risk management

4.1 Overview

Connections is exposed to a variety of financial risks as a result of its operating activities:

- credit risk;
- interest risk; and

Connections employs risk management strategies and policies to ensure that any exposure to risk is in compliance with their business objectives and risk tolerance levels. While Connections has the overall responsibility for the establishment and oversight of Connections' risk management framework, management has the responsibility to administer and monitor these risks.

Connections Counselling and Consulting Foundation
Notes to the Financial Statements
Year ended December 31, 2020

4.2 Credit Risk

Credit risk arises from the potential that a counterparty 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.

The Society manages the credit exposure related to cash by selecting a federally regulated, credit worthy financial institution. Management regularly reviews its accounts receivable for collectability and does not expect any counterparty to fail to meet its obligations.

4.3 Interest 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 exposed to interest rate risk through its term deposits.

5. **Restricted cash**

Cash in the amount of \$17,714 (2019 - \$7,885) is restricted to payment of program and certain operating costs in compliance with Connections' lottery license and commitments to grant authorities.

6. **Term deposits**

	2020	2019
Term deposits - Current	\$ 110,538	\$ 395,951

Current term deposits mature at various various dates between May 31, 2021 and July, 11, 2021 and bear interest at rates between 1.00% and 1.55%

	2020	2019
Term deposits - non-current	\$ 293,151	\$ -

Non-current term deposit matures on February 19, 2022 and bears interest at a rate of 0.95%.

Connections Counselling and Consulting Foundation
Notes to the Financial Statements
Year ended December 31, 2020

7. Property and equipment

	2020		2019	
	Cost	Accumulated amortization	Net book Value	Net book value
Furniture and equipment	\$ 15,152	\$ 8,338	\$ 6,814	\$ 8,517
Leasehold improvements	7,874	6,299	1,575	3,150
	<u>\$ 23,026</u>	<u>\$ 14,637</u>	<u>\$ 8,389</u>	<u>\$ 11,667</u>

8. Deferred revenue

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

	2020	2019
Government of Alberta	\$ 143,134	\$ -
Casino proceeds	53,413	-
Contract proceeds	65,721	48,184
Transferred to revenue	(261,860)	(205,949)
	408	(157,765)
Balance at the beginning of the year	318,963	476,728
Balance at the end of the year	<u>\$ 319,371</u>	<u>\$ 318,963</u>

9. Deferred capital contributions

	2020	2019
Balance at the beginning of the year	\$ 3,686	\$ 4,608
Amortized capital contributions	(737)	(922)
Balance at the end of the year	<u>\$ 2,949</u>	<u>\$ 3,686</u>

10. 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, 2020 the internally restricted funds were \$500,000 (2019 - \$500,000).

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Notes to the Financial Statements
Year ended December 31, 2020

11. Lease commitments

During 2020, Connections renewed one lease and entered into a new agreement with respect to its premises that expire on November 30, 2024. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at December 31, 2020, are as follows:

2021	\$	149,027.18
2022	\$	142,811.76
2023	\$	142,811.76
2024	\$	<u>130,910.78</u>
	\$	<u>565,561.48</u>

12. Contingent liability

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