

Gateway Association for Community Living
Financial Statements
Year Ended December 31, 2017



Gateway Association for Community Living
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Year Ended December 31, 2017

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Independent Auditor's Report

To the Members of Gateway Association for Community Living

We have audited the accompanying financial statements of Gateway Association for Community Living, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, Gateway Association for Community Living derives revenue from donations and fundraising, 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 Gateway Association for Community Living. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, the statement of operations, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Gateway Association for Community Living as at December 31, 2017 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.



Edmonton, Alberta
April 4, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

Gateway Association for Community Living
Statement of Financial Position
December 31, 2017

	2017	2016
Assets		
Current		
Cash (Note 3)	\$ 459,911	\$ 393,106
Term deposits	-	300,000
Accounts receivable (Note 4)	118,757	84,472
Prepaid expenses and deposits	10,706	7,753
	589,374	785,331
Lease deposit	30,642	-
Property and equipment (Note 5)	282,859	13,271
	\$ 902,875	\$ 798,602
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 324,000	\$ 40,812
Deferred revenue (Note 7)	137,316	333,595
	461,316	374,407
Deferred contributions related to property and equipment (Note 8)	36,075	7,200
	497,391	381,607
Net assets		
Investment in property and equipment	246,784	6,071
Unrestricted	158,700	410,924
	405,484	416,995
	\$ 902,875	\$ 798,602

ON BEHALF OF THE BOARD

_____ Director

_____ Director



Gateway Association for Community Living
Statement of Operations
For the Year Ended December 31, 2017

	2017	2016
Revenues		
Grants and other	\$ 582,750	\$ 652,038
Government contracts	372,079	583,637
United Way	103,197	103,060
Donations and fundraising	56,565	57,146
Casino	30,384	71,152
Sub-lease	12,060	16,345
Deferred contributions related to property and equipment <i>(Note 8)</i>	8,125	7,200
	<u>1,165,160</u>	<u>1,490,578</u>
Expenses		
Salaries and related benefits	878,459	943,354
Building occupancy	82,685	80,509
Programs	77,834	113,766
Office and administration	71,088	67,331
Promotion	28,835	44,191
Unrecoverable portion of goods and services tax	11,332	4,575
Professional fees	9,500	10,500
Bank charges	1,260	1,524
Amortization	15,678	9,276
	<u>1,176,671</u>	<u>1,275,026</u>
Excess (deficiency) of revenues over expenses for the year	\$ (11,511)	\$ 215,552

Gateway Association for Community Living
Statement of Changes in Net Assets
For the Year Ended December 31, 2017

	Investment in Property and Equipment	Unrestricted	2017	2016
Net assets - beginning of year	\$ 6,071	\$ 410,924	\$ 416,995	\$ 201,443
Investment in property and equipment	285,266	(285,266)	-	-
Deferred contributions related to property and equipment	(37,000)	37,000	-	-
Excess (deficiency) of revenues over expenses for the year	(7,553)	(3,958)	(11,511)	215,552
Net assets - end of year	\$ 246,784	\$ 158,700	\$ 405,484	\$ 416,995

Gateway Association for Community Living
Statement of Cash Flows
For the Year Ended December 31, 2017

	2017	2016
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (11,511)	\$ 215,552
Items not affecting cash:		
Amortization of property and equipment	15,678	9,276
Amortization of deferred contributions related to property and equipment	(8,125)	(7,200)
	<u>(3,958)</u>	217,628
Changes in non-cash working capital:		
Accounts receivable	(34,285)	29,688
Prepaid expenses and deposits	(2,953)	2,848
Lease deposit	(30,642)	-
Accounts payable and accrued liabilities	283,188	(180)
Deferred revenue	(196,279)	225,233
	<u>19,029</u>	257,589
	<u>15,071</u>	475,217
Investing activities		
Proceeds on redemption of term deposits	300,000	-
Purchase of term deposits	-	(300,000)
Purchase of property and equipment	(285,266)	-
	<u>14,734</u>	(300,000)
Financing activity		
Proceeds received on deferred contributions related to property and equipment	37,000	-
Increase in cash flow	66,805	175,217
Cash - beginning of year	393,106	217,889
Cash - end of year	\$ 459,911	\$ 393,106

Gateway Association for Community Living

Notes to Financial Statements

For the Year Ended December 31, 2017

1. Description of business

Gateway Association for Community Living ("the Association") is a not-for-profit organization registered under the Societies Act of Alberta on February 6, 1975. The Association is committed to the principles of normalization and integration as related to improving the quality of life for individuals with a developmental disability and their families. The Association received 17% (2016 - 27%) of its revenue in the form of an operating grant from the Government of Alberta. The Association is a registered charity under the Income Tax Act, Canada and is exempt for income tax purposes.

2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. The significant estimates include the allowance for doubtful accounts and the useful life of property and equipment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows:

Cash

Cash consists of demand deposits held with a financial institution.

Property and equipment

Property and equipment is stated at cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Leasehold improvements	10 years	straight-line method
Furniture and fixtures	20%	declining balance method
Computer equipment	55%	declining balance method

The Association regularly reviews its property and equipment to eliminate obsolete items.

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Unrestricted contribution revenue is recorded as revenue when it is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The following revenue streams are unrestricted contributions: Grants and other revenue, United Way, Donations and fundraising, and Sub-lease revenue.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. The following revenue streams are restricted contributions: Government contracts and Casino revenue.

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Gateway Association for Community Living
Notes to Financial Statements
For the Year Ended December 31, 2017

2. **Significant accounting policies** *(continued)*

Impairment of long lived assets

The Association tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

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 measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the Statement of Operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the Statement of Operations.

Contributed goods and services

Some of the work of the Association is dependent on the voluntary services of members and others. Since their services are not purchased by the Association and due to the difficulty in determining their fair value, donated services are not recognized in these financial statements.

Contributed goods are recorded at their fair market value at the time of the donation, as long as the goods would otherwise have been purchased by the Association in the normal course of operations.

3. **Cash**

	2017	2016
Cash	\$ 322,595	\$ 59,511
Restricted cash	137,316	333,595
	\$ 459,911	\$ 393,106



Gateway Association for Community Living
Notes to Financial Statements
For the Year Ended December 31, 2017

4. Accounts receivable

	2017	2016
Accounts receivable	\$ 102,850	\$ 79,897
Goods and services tax recoverable	15,907	4,575
	\$ 118,757	\$ 84,472

5. Property and equipment

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Leasehold improvements	\$ 282,523	\$ 7,063	\$ 275,460	\$ -
Furniture and fixtures	34,054	26,913	7,141	12,696
Computer equipment	21,119	20,861	258	575
	\$ 337,696	\$ 54,837	\$ 282,859	\$ 13,271

6. Accounts payable and accrued liabilities

	2017	2016
Accounts payable and accrued liabilities	\$ 323,675	\$ 40,742
Source deductions payable	325	70
	\$ 324,000	\$ 40,812

Gateway Association for Community Living

Notes to Financial Statements

For the Year Ended December 31, 2017

7. Deferred revenue

The Association receives the majority of its funding by way of grants and restricted donations. The externally restricted cash is to be used for such purposes as indicated in accordance with the funder or donor's specifications or regulations. The externally restricted contributions have been presented as a current liability under deferred revenue on the Statement of Financial Position. This funding is deferred and recognized in conjunction with the related expense. The balance at year end consists of the following:

	Opening	Funds received	Recognized in revenue	Closing
Casino revenue - externally restricted	\$ 14,709	\$ 78,258	\$ 30,384	\$ 62,583
Edmonton Community Foundation - externally restricted	-	40,000	-	40,000
Community Initiatives program - externally restricted	33,750	-	22,513	11,237
Northern Alberta Learning Community	30,908	-	20,908	10,000
Disability Innovations - externally restricted	9,667	11,975	15,147	6,495
Social role valorization programs - externally restricted	4,001	-	-	4,001
Self Advocacy Federation - payroll services	3,000	-	-	3,000
Employment First Innovation grant - externally restricted	197,860	-	197,860	-
Ready, Willing and Able - externally restricted	35,700	-	35,700	-
2017 Muttart Conservatory workshop	3,500	-	3,500	-
Raiford Lawson - lease deposit	500	-	500	-
	<u>\$ 333,595</u>	<u>\$ 130,233</u>	<u>\$ 326,512</u>	<u>\$ 137,316</u>

Casino revenue is to be used in accordance with the rules and regulations of the Alberta Gaming and Liquor Commission to cover rent and administrative expenses of the Association.

Social role valorization programs is restricted by the individual donors to fund social role valorization programs.

Gateway Association for Community Living
Notes to Financial Statements
For the Year Ended December 31, 2017

8. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent donated funds for the purpose of reducing general contracting costs for leasehold improvements and for donated property and equipment. The leasehold improvement contribution is amortized to revenue over the life of the lease plus the first renewal term. The change in the deferred contributions balance for the year is as follows:

	2017	2016
Balance, beginning of the year	\$ 7,200	\$ 14,400
Proceeds received on deferred contributions related to property and equipment	37,000	-
Less: amount amortized to revenue	(8,125)	(7,200)
Balance, end of the year	\$ 36,075	\$ 7,200

9. Subsequent event

Subsequent to year end, the Association will obtain financing of \$217,000. The term of the loan is ten years and interest is charged at 5% per annum.

10. Contractual obligations

The Association has the following obligation for their premises lease expiring in September 2022:

2018	\$ 102,146
2019	105,536
2020	108,926
2021	112,316
2022	86,779
	\$ 515,703

11. Financial instruments

Financial instruments are defined as contractual rights to receive or deliver cash or another financial asset. The Association's financial instruments consist of recorded amounts of cash, accounts receivable and accounts payable and accrued liabilities.

The Association 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 Association's risk exposure and concentration as of December 31, 2017.

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Gateway Association for Community Living

Notes to Financial Statements

For the Year Ended December 31, 2017

11. Financial instruments *(continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from donors and government contributors. The Association is exposed to concentration of credit risk to the extent that amounts owing from two contributors comprised 87% (2016 - three contributors comprised 100%) of the accounts receivable at year end.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its contributors and donors, and accounts payable and accrued liabilities.

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 Association is not exposed to market risk.