Gateway Association for Community Living

Financial Statements

Year Ended December 31, 2018

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Independent Auditor's Report

To the Members of Gateway Association for Community Living

Qualified Opinion

We have audited the financial statements of Gateway Association for Community Living (the Association), which comprise the statement of financial position as at December 31, 2018, 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 Association as at December 31, 2018, 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 Association 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 Association. 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, 2018, current assets and net assets as at December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2017 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 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 those 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 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 relating 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.

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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 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.

Mowbray Gil LLP

Edmonton, Alberta
April 11, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

Gateway Association for Community Living

Statement of Financial Position

December 31, 2018

		2018		2017
Assets				
Current				
Cash *(Note 3)*	**$**	**163,507**	$	459,911
Accounts receivable *(Note 4)*		**126,250**		118,757
Prepaid expenses and deposits		**3,207**		10,706
		292,964		589,374
Lease deposit		**21,141**		30,642
Property and equipment *(Note 5)*		**261,754**		282,859
	$	**575,859**	$	902,875
Liabilities and net assets				
Current				
Accounts payable and accrued liabilities *(Note 6)*	**$**	**40,755**	$	269,112
Deferred revenue *(Note 7)*		**74,370**		192,204
		115,125		461,316
Deferred contributions related to property and equipment *(Note 8)*		**32,375**		36,075
		147,500		497,391
Net assets				
Investment in property and equipment		**229,379**		246,784
Unrestricted		**198,980**		158,700
		428,359		405,484
	$	**575,859**	$	902,875

ON BEHALF OF THE BOARD

_________________________________ *Director*

_________________________________ *Director*

Gateway Association for Community Living

Statement of Operations

For the Year Ended December 31, 2018

		2018		2017
Revenues				
Government contracts	**$**	**461,635**	$	372,079
Grants and other		**309,979**		582,750
United Way		**102,183**		103,197
Casino		**62,583**		30,384
Donations and fundraising		**50,008**		56,565
Sub-lease		**9,500**		12,060
Social role valorization donations		**4,001**		-
Deferred contributions related to property and equipment *(Note 8)*		**3,700**		8,125
		1,003,589		1,165,160
Expenses				
Salaries and related benefits		**597,855**		878,459
Building occupancy		**170,408**		82,685
Office and administration		**81,227**		71,088
Programs		**54,925**		77,834
Promotion		**23,730**		28,835
Professional fees		**13,350**		9,500
Unrecoverable portion of goods and services tax		**6,523**		11,332
Bank charges		**2,000**		1,260
Amortization		**30,696**		15,678
		980,714		1,176,671
Excess (deficiency) of revenues over expenses for the year	**$**	**22,875**	$	(11,511)

Gateway Association for Community Living

Statement of Changes in Net Assets

For the Year Ended December 31, 2018

	Investment in Property and Equipment	Unrestricted	**2018**	2017
Net assets - beginning of year	$ 246,784	$ 158,700	**$ 405,484**	$ 416,995
Investment in property and equipment	9,591	(9,591)	**-**	-
Excess (deficiency) of revenues over expenses for the year	(26,996)	49,871	**22,875**	(11,511)
Net assets - end of year	$ 229,379	$ 198,980	**$ 428,359**	$ 405,484

Statement of Cash Flows

For the Year Ended December 31, 2018

		2018		2017
Operating activities				
Excess (deficiency) of revenues over expenses for the year	**$**	**22,875**	$	(11,511)
Items not affecting cash:				
Amortization of property and equipment		**30,696**		15,678
Amortization of deferred contributions related to property and equipment		**(3,700)**		(8,125)
		49,871		(3,958)
Changes in non-cash working capital:				
Accounts receivable		**(7,493)**		(34,285)
Prepaid expenses and deposits		**7,499**		(2,953)
Lease deposit		**9,501**		(30,642)
Accounts payable and accrued liabilities		**(228,357)**		228,300
Deferred revenue		**(117,834)**		(141,391)
		(336,684)		19,029
		(286,813)		15,071
Investing activities				
Proceeds on redemption of term deposits		**-**		300,000
Purchase of property and equipment		**(9,591)**		(285,266)
		(9,591)		14,734
Financing activity				
Proceeds received on deferred contributions related to property and equipment		**-**		37,000
Increase (decrease) in cash flow		**(296,404)**		66,805
Cash - beginning of year		**459,911**		393,106
Cash - end of year	**$**	**163,507**	$	459,911

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 27% (2017 - 17%) 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, Casino revenue, and Social role valorization donations.

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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**

	2018	2017
Cash	**$ 89,137**	$ 267,707
Restricted cash	**74,370**	192,204
	$ 163,507	$ 459,911

The Association was approved for financing of $217,000 with the option to begin disbursements at a future date. No disbursements were made as at December 31, 2018. The term of the loan will be ten years from the date of disbursement and interest will be charged at 5% per annum.

4. **Accounts receivable**

	2018	2017
Accounts receivable	**$ 119,727**	$ 102,850
Goods and services tax recoverable	**6,523**	15,907
	$ 126,250	$ 118,757

5. **Property and equipment**

	Cost	Accumulated amortization	**2018 Net book value**	2017 Net book value
Leasehold improvements	$ 286,743	$ 35,878	**$ 250,865**	$ 275,460
Furniture and fixtures	39,425	28,604	**10,821**	7,141
Computer equipment	13,169	13,101	**68**	258
	$ 339,337	$ 77,583	**$ 261,754**	$ 282,859

6. **Accounts payable and accrued liabilities**

	2018	2017
Accounts payable and accrued liabilities	**$ 43,511**	$ 268,787
Source deductions payable (recoverable)	**(2,756)**	325
	$ 40,755	$ 269,112

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
Disability Innovations - externally restricted	$ 61,383	$ 125,246	$ 125,259	$ 61,370
Northern Alberta Learning Community	10,000	-	-	10,000
Self Advocacy Federation - payroll services	3,000	-	-	3,000
Casino revenue - externally restricted	62,583	-	62,583	-
Edmonton Community Foundation - externally restricted	40,000	20,000	60,000	-
Community Initiatives program - externally restricted	11,237	-	11,237	-
Social role valorization programs - externally restricted	4,001	-	4,001	-
	$ 192,204	$ 145,246	$ 263,080	$ 74,370

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.

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:

	2018	2017
Balance, beginning of the year	**$ 36,075**	$ 7,200
Proceeds received on deferred contributions related to property and equipment	**-**	37,000
Less: amount amortized to revenue	**(3,700)**	(8,125)
Balance, end of the year	**$ 32,375**	$ 36,075

9. Comparative figures

Some of the comparative figures have been reclassified to conform to the presentation adopted in the current year. The reclassification of certain balances has no impact on net assets.

10. Contractual obligations

The Association has the following obligations for their premises lease expiring in 2022 and printer lease expiring in 2023:

2019	$ 117,807
2020	121,197
2021	124,587
2022	93,801
2023	595
	$ 457,987

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, 2018.

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 comprise 98% (2017 - two contributors comprised 87%) 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, in order to repay its 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.