

SIMON HOUSE RESIDENCE SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

SIMON HOUSE RESIDENCE SOCIETY
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Simon House Residence Society

Qualified Opinion

We have audited the financial statements of Simon House Residence Society (the "Society"), which comprise the statement of financial position as at December 31, 2022, and the statement of operations, statement of changes in net assets and statement of 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 Simon House Residence Society as at December 31, 2022, 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 (ASNPO).

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 Simon House Residence Society. Therefore, we were unable to determine whether any adjustments might be necessary to revenue, excess of revenues over expenditures, and cash flows from operations for the years ended December 31, 2022, and current assets and net assets as at December 31, 2022.

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 Simon House Residence 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 qualified opinion.

INDEPENDENT AUDITOR'S REPORT, continued

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 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 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.

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ 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.

Baker Tilly Catalyst LLP

**CALGARY, ALBERTA
MARCH 23, 2023**

**CHARTERED PROFESSIONAL
ACCOUNTANTS**

SIMON HOUSE RESIDENCE SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	2022	2021
Assets		
Current		
Cash	\$ 497,384	\$ 387,692
Accounts receivable	19,480	42,287
Goods and services tax receivable	6,882	8,992
Prepaid expenditures	18,157	6,156
Short-term investment (Note 3)	100,000	40,000
	641,903	485,127
Long-term investments (Note 3)	632,000	-
Capital assets (Note 4)	2,005,421	2,539,049
	2,637,421	2,539,049
	\$ 3,279,324	\$ 3,024,176
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	\$ 143,376	\$ 167,524
Deferred contributions (Note 5)	197,803	70,955
Current portion of CEBA loan payable (Note 6)	40,000	-
	381,179	238,479
CEBA loan payable	-	40,000
	381,179	278,479
Net assets		
Investment in capital assets	2,005,421	2,539,049
Internally restricted	732,000	-
Unrestricted surplus	160,724	206,648
	2,898,145	2,745,697
	\$ 3,279,324	\$ 3,024,176

Approved on behalf of the Board

M. G. G.

 Director

Nar Shergill

 Director

SIMON HOUSE RESIDENCE SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Revenues		
Program fees	\$ 2,193,912	\$ 1,422,268
Grants	277,503	377,062
Donations	162,969	163,829
Gaming and casino revenue (Note 5)	107,321	86,092
Fundraising income (Note 8)	86,804	-
	2,828,509	2,049,251
Expenditures		
Salaries and related benefits	1,950,618	1,370,193
Food costs and supplies	231,073	170,630
Utilities	117,690	108,955
Office	106,140	75,928
Consulting fees	101,498	58,571
Repairs and maintenance	64,919	51,619
Insurance	54,620	55,288
Fundraising development (Note 8)	50,956	-
Program expenditures	50,913	30,987
Professional fees	48,711	21,174
Vehicle	37,199	7,519
Amortization	37,128	37,113
Supplies	16,735	7,557
GST expenditures	6,856	8,939
Interest and bank charges	3,243	2,982
Promotional expenditures	773	3,846
Bad debts	10	16,137
	2,879,082	2,027,438
Excess (deficiency) of revenues over expenditures before other income	(50,573)	21,813
Other income		
Gain on sale of capital assets	202,841	-
Interest income	180	-
Government assistance	-	58,234
	203,021	58,234
Excess of revenues over expenditures for the year	\$ 152,448	\$ 80,047

The accompanying notes are an integral part of the financial statements

SIMON HOUSE RESIDENCE SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Unrestricted Surplus	Investment in Capital Assets	Internally Restricted	2022	2021
Net Assets - Beginning of year	\$ 206,648	\$ 2,539,049	\$ -	\$ 2,745,697	\$ 2,665,650
Excess of revenues over expenditures	(13,265)	165,713	-	152,448	80,047
Interfund transfers (Note 7)	(32,659)	(699,341)	732,000	-	-
Net Assets - End of year	<u>\$ 160,724</u>	<u>\$ 2,005,421</u>	<u>\$ 732,000</u>	<u>\$ 2,898,145</u>	<u>\$ 2,745,697</u>

The accompanying notes are an integral part of the financial statements
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SIMON HOUSE RESIDENCE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Cash flows from operating activities		
Excess of revenues over expenditures for the year	\$ 152,448	\$ 80,047
Adjustments for		
Amortization	37,128	37,113
Gain on disposal of capital assets	(202,841)	-
	(13,265)	117,160
Change in non-cash working capital items		
Accounts receivable	22,807	49,111
Prepaid expenditures	(12,001)	(5,236)
Accounts payable and accrued liabilities	(24,149)	111,881
Goods and services tax	2,110	(2,292)
Deferred contributions	126,849	(15,678)
	102,351	254,946
Cash flows from investing activities		
Purchase of capital assets	(32,659)	(60,199)
Proceeds on disposal of capital assets	732,000	-
Proceeds on disposal of investment	40,000	-
Purchase of investments	(732,000)	(40,000)
	7,341	(100,199)
Cash flows from financing activities		
CEBA loan advance	-	10,000
	-	10,000
Increase in cash	109,692	164,747
Cash, beginning of year	387,692	222,945
Cash, end of year	\$ 497,384	\$ 387,692
Cash consists of:		
Unrestricted	\$ 299,581	\$ 316,737
Restricted (Note 5)	197,803	70,955
	\$ 497,384	\$ 387,692

The accompanying notes are an integral part of the financial statements

SIMON HOUSE RESIDENCE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. Nature of operations

Simon House Residence Society (the "Society") is a non-profit organization providing residential treatment services for men in the community to help them achieve long-term recovery from addiction. The Society is registered as a charity and is incorporated under the Societies Act of the Province of Alberta. The Society is exempt from taxes pursuant to section 149(1)(l) of the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Cash

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the report date.

(b) Capital assets

Capital assets are recorded at cost less accumulated amortization. The Society provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Buildings	1%
Furniture and equipment	20%
Vehicles	30%
Computer equipment	30%

Capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

SIMON HOUSE RESIDENCE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

2. Significant accounting policies, continued

(c) Revenue recognition

The Society follows the deferral method of accounting for contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Externally restricted contributions include; casino income, bingo income and grant income. Casino income is subject to external restrictions established by the Alberta Gaming and Liquor Commission.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collected is reasonably assured. Unrestricted contributions include; program fees and donations.

(d) Contributed materials and services

The operations of the Society 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.

(e) Government assistance

Government assistance includes loans associated with the COVID-19 pandemic support initiatives, and is recognized when there is reasonable assurance the Society has complied with terms and conditions of the approved government program and that the assistance will be received.

Government assistance related to forgiven loan balances are recognized as other revenue when the loan is received.

Government assistance recorded in current and prior periods is subject to government review, which could result in future adjustments to income.

(f) Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets. Actual results may differ from management's best estimates as additional information becomes available in the future.

SIMON HOUSE RESIDENCE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

2. Significant accounting policies, continued

(g) Financial instruments

(i) Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and CEBA loan payable. .

The society has not designated any financial asset or financial liability to be measured at at fair value.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in 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 operations.

3. Investments

The short-term investment is comprised of 1-year Guaranteed Investment Certificate ("GIC") which bears interest of 2.50% per annum and matures on November 30, 2023. The long-term investment is comprised of a 17 month GIC which bears interest of 4.75% per annum and matures April 30, 2024.

SIMON HOUSE RESIDENCE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

4. **Capital assets**

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Buildings	\$ 1,422,956	\$ 181,329	\$ 1,241,627	\$ 1,553,663
Land	689,137	-	689,137	918,850
Furniture and equipment	344,122	291,460	52,662	39,748
Computer equipment	90,460	71,245	19,215	21,922
Vehicles	48,680	45,900	2,780	4,866
	<u>\$ 2,595,355</u>	<u>\$ 589,934</u>	<u>\$ 2,005,421</u>	<u>\$ 2,539,049</u>

The fair market value of the land and building at December 31, 2022 is \$3,111,500 (2021 - \$3,275,500) per the City of Calgary property assessments.

5. **Deferred contributions**

	Balance, Beginning	Contributions	Contributions Utilized	Balance, Ending
Bingo income	\$ -	\$ 174,730	\$ (72,252)	\$ 102,478
Beds for brothers	-	60,000	(4,721)	55,279
Casino income	-	62,536	(35,069)	27,467
Civil society	-	100,000	(90,747)	9,253
Restricted donation	4,133	-	(807)	3,326
Ecclesiastical grant	10,000	-	(10,000)	-
COVID-19 support	56,822	-	(56,822)	-
	<u>\$ 70,955</u>	<u>\$ 397,266</u>	<u>\$ (270,418)</u>	<u>\$ 197,803</u>

SIMON HOUSE RESIDENCE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

6. Government assistance

In an attempt to mitigate the impact of the COVID-19 pandemic, the Canadian government has introduced several grants and subsidies. The Society has taken advantage of the CEBA loan with specifics noted below:

The CEBA is a government-funded loan, payable to a chartered bank, which is non-interest bearing until December 31, 2023, after which interest will be charged at 5% per annum. If repaid prior to December 31, 2023, 33% of the loan will be forgiven. The Society intends to repay the \$40,000 of the loan by December 31, 2023 and therefore \$20,000 was reported as income as a government subsidy in prior years.

7. Interfund transfers

During the year, \$732,000 of proceeds from the building sale was transferred from the unrestricted surplus to the internally restricted funds for short-term and long-term investments restricted for Board priorities (see Note 3)

Also during the year, \$32,659 was transferred from the unrestricted surplus to the investment in capital assets for capital purchases.

8. Charitable Fundraising Act of Alberta

Gross contributions received were \$86,804 (2021 - \$nil).

Gross contributions received were used in accordance with the internal and external restrictions imposed by the donor's request and the Society's disbursement policies. Undesignated donations are allocated for use by the Board of Directors of the Society's.

All expenditures incurred, directly and indirectly, for the purpose of soliciting contributions were \$50,956 (2021 - \$nil). No remuneration was paid for fundraising activities.

9. Financial instruments

The Society is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Society's exposure to these risks.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risk relates to its accounts receivable.

SIMON HOUSE RESIDENCE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

9. **Financial instruments, continued**

(b) **Liquidity risk**

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and CEBA loan payable.

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate financial instruments subject the Society to a fair value risk.

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