

Financial Statements of

IMMIGRANT SERVICES CALGARY SOCIETY

And Independent Auditor's Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Immigrant Services Calgary Society

Opinion

We have audited the accompanying financial statements of Immigrant Services Calgary Society (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.



- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

May 30, 2019

IMMIGRANT SERVICES CALGARY SOCIETY

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	General Fund	Special Purposes Fund	Casino Fund	2019	2018
Assets					
Current assets:					
Cash	\$ 1,703,882	\$ 860	\$ 70,927	\$ 1,775,669	\$ 1,632,870
Investments (note 4)	-	740,674	-	740,674	728,785
Accounts receivable	536,059	-	-	536,059	616,078
Prepaid expenses	32,235	-	-	32,235	35,796
	2,272,176	741,534	70,927	3,084,637	3,013,529
Rental deposit (note 5)	40,293	-	-	40,293	40,293
Capital assets (note 6)	293,069	-	-	293,069	191,253
	\$ 2,605,538	\$ 741,534	\$ 70,927	\$ 3,417,999	\$ 3,245,075

Liabilities and Fund Balances

Current liabilities:

Accounts payable and accruals	\$ 384,690	\$ -	\$ -	\$ 384,690	\$ 626,761
Deferred contributions (note 7)	1,169,199	-	-	1,169,199	422,174
Current portion of deferred lease inducement (note 8)	140,725	-	-	140,725	140,725
	1,694,614	-	-	1,694,614	1,189,660
Deferred capital contributions (note 7)	76,517	-	-	76,517	109,893
Deferred lease inducement (note 8)	140,725	-	-	140,725	281,450
Fund balances:					
Invested in capital assets	216,553	-	-	216,553	81,360
Externally restricted (note 9)	-	-	70,927	70,927	66,193
Internally restricted (note 9)	-	741,534	-	741,534	729,645
Unrestricted	477,129	-	-	477,129	786,874
	693,682	741,534	70,927	1,506,143	1,664,072

Commitments (note 11)

	\$ 2,605,538	\$ 741,534	\$ 70,927	\$ 3,417,999	\$ 3,245,075
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See accompanying notes to financial statements.

Approved on behalf of the board:

Shirley Philips

Director

Ryan Uby

Director

IMMIGRANT SERVICES CALGARY SOCIETY

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2019, with comparative information for 2018

	General Fund	Special Purposes Fund	Casino Fund	2019	2018
Revenues:					
Program funding	\$ 8,889,468	\$ -	\$ -	\$ 8,889,468	\$ 8,648,814
Other	715,916	-	-	715,916	664,094
Fund development	156,160	-	-	156,160	117,969
Casino income	-	-	69,630	69,630	13,461
Interest income	12,399	11,889	24	24,312	19,914
	9,773,943	11,889	69,654	9,855,486	9,464,252
Expenses:					
Salaries and benefits	7,782,224	-	-	7,782,224	7,368,581
Rent (note 8)	1,030,333	-	-	1,030,333	895,656
Office and administrative expenses	609,503	-	-	609,503	449,866
Professional fees and program consultants	377,395	-	-	377,395	449,291
Fund development	75,378	-	-	75,378	88,521
Conferences and staff development	64,378	-	-	64,378	92,825
Casino	-	-	2,213	2,213	-
Amortization	71,991	-	-	71,991	75,899
	10,011,202	-	2,213	10,013,415	9,420,639
(Deficiency) excess of revenues over expenses	(237,259)	11,889	67,441	(157,929)	43,613
Fund balances, beginning of year	868,234	729,645	66,193	1,664,072	1,620,459
Inter-fund transfers (note 9)	62,707	-	(62,707)	-	-
Fund balances, end of year	\$ 693,682	\$ 741,534	\$ 70,927	\$ 1,506,143	\$ 1,664,072

See accompanying notes to financial statements.

IMMIGRANT SERVICES CALGARY SOCIETY

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided (used in):		
Operations:		
Cash receipts from funders and other resources	\$ 10,516,967	\$ 8,976,284
Cash paid to suppliers	(2,432,839)	(1,816,545)
Cash paid to employees	(7,779,944)	(7,370,193)
	304,184	(210,454)
Investments:		
Interest received	24,312	19,914
Purchase of investments	(11,889)	(7,313)
Purchase of capital assets	(173,808)	(49,606)
	(161,385)	(37,005)
Increase (decrease) in cash	142,799	(247,459)
Cash, beginning of year	1,632,870	1,880,329
Cash, end of year	\$ 1,775,669	\$ 1,632,870

See accompanying notes to financial statements.

IMMIGRANT SERVICES CALGARY SOCIETY

Notes to Financial Statements

Year ended March 31, 2019, with comparative information for 2018

1. Purpose of the organization:

Immigrant Services Calgary Society (the "Society") is a not-for-profit organization incorporated under the Societies Act. The Society is committed to being a comprehensive settlement agency working together with immigrants and their families to make Canada home.

The Society is registered as a charitable organization under the Income Tax Act and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered not-for-profit organization, the Society must meet certain requirements within the Income Tax Act. In the opinion of management, these requirements have been met.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO") in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Fund accounting:

Funds have been established within the accounting and reporting systems as follows:

(i) The General Fund:

To account for the various sources of revenue and expenses related to direct services and administration and to account for capital assets related to general fund activities.

(ii) The Special Purposes Fund:

Internally restricted reserve account to support the ongoing and long-term financial stability of the Society and to maintain the essential functions of the Society. These amounts are not available for another purposes without approval from the Board.

(iii) The Casino Fund:

To account for assets, liabilities, revenue and expenses related to casino activities.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

IMMIGRANT SERVICES CALGARY SOCIETY

Notes to Financial Statements, page 2

Year ended March 31, 2019, with comparative information for 2018

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Revenue recognition:

The Society follows the deferral method of accounting for contributions which include donations and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued if collection is reasonably assured. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at estimated fair value at the date of contribution where such value can be reasonably estimated, otherwise the assets are recorded at a nominal value. Amortization is charged on a straight line basis over the useful life of the asset. Office furniture is amortized over 10 years, computer and office equipment is amortized over 5 years and leasehold improvements are amortized over the term of the lease.

The carrying amount of an item in capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

IMMIGRANT SERVICES CALGARY SOCIETY

Notes to Financial Statements, page 3

Year ended March 31, 2019, with comparative information for 2018

2. Significant accounting policies (continued):

(e) Contributed services:

Volunteers contribute hours to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(f) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash and short-term investments with an original maturity date at the time of acquisition of three months or less.

(g) Use of estimates:

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful life of capital assets for amortization purposes and the collectability of accounts receivable. Actual results could differ from those estimates.

3. Economic dependence:

The Society receives the majority of revenue in the form of program funding from government and other charitable organizations. The Society is dependent upon the continued support of these funders whose contributions are used to meet the current and future operating costs of the Society.

4. Investments:

Investments are comprised of term deposits and related accrued interest. Investments are internally restricted as part of the Special Purposes Fund. All interest earned on investments accumulates as an internally restricted investment. Any transfer from the Special Purposes Fund to the General Fund must be approved by the Board of Directors. As at March 31, 2019, the Society has invested \$418,650 in a three month, 1.75% term deposit (2018 - \$412,138 in a three month, 1.45% term deposit), \$319,872 in a three month, 1.75% term deposit (2018 - \$315,097 in a three month, 1.20% term deposit) and had a total of \$2,152 (2018 - \$1,550) in accrued interest.

5. Rental deposit:

As at March 31, 2019, a rental deposit of \$40,293 (2018 - \$40,293) is held as security for the performance of the Society's obligations under its premises lease agreement.

IMMIGRANT SERVICES CALGARY SOCIETY

Notes to Financial Statements, page 4

Year ended March 31, 2019, with comparative information for 2018

6. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Computer and office equipment	\$ 662,612	\$ 444,719	\$ 217,893	\$ 128,784
Office furniture	373,383	305,980	67,403	62,469
Leasehold improvements	167,831	160,058	7,773	-
	<u>\$1,203,826</u>	<u>\$ 910,757</u>	<u>\$ 293,069</u>	<u>\$ 191,253</u>

7. Deferred contributions:

Deferred contributions reported in the General Fund relate to externally restricted operating funding received in the current year for subsequent years' expenses. These contributions must be used for specific purposes designated by the various funders. Agreements representing \$1,169,199 (2018 - \$422,174) in deferred contributions require that unexpended funds be returned at the end of the funding period. Management expects to utilize these funds in the Society's programs by the end of the related funding periods.

Deferred capital contributions reported in the General Fund relate to amounts used for the purchase of equipment. Deferred capital contributions are amortized into revenue at a rate corresponding with the amortization rate of the assets purchased.

The change in the deferred capital contribution balance is as follows:

	2019	2018
Balance, beginning of year	\$ 109,893	\$ 121,737
Contributions received during the year	7,983	38,538
Amortization of deferred capital contributions	(41,359)	(50,382)
Balance, end of year	<u>\$ 76,517</u>	<u>\$ 109,893</u>

IMMIGRANT SERVICES CALGARY SOCIETY

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Year ended March 31, 2019, with comparative information for 2018

8. Deferred lease inducement:

The deferred lease inducement represents an incentive granted by the landlord to the Society in negotiating a new lease for space obtained. As required by ASNPO in Part III of The Chartered Professional Accountants of Canada Handbook, the amount is deferred and amortized to the statement of operations as a reduction of rent expense incurred by the Society over the life of the lease. During the year, the Society incurred rent expense of \$1,171,058 (2018 - \$1,036,381) and recorded amortization of lease inducements of \$140,725 (2018 - \$140,725) resulting in net rent expense reported on the statement of operations of \$1,030,333 (2018 - \$895,656). The cash received from the landlord pursuant to the lease inducement was unrestricted; accordingly, the Society is utilizing the funds at the discretion of management. Of the \$281,450 deferred as at March 31, 2019 (2018 - \$422,175), \$140,725 (2018 - \$140,725) will be amortized in the next year and is classified as the current portion of deferred lease inducement.

9. Restricted funds:

(a) Externally restricted funds:

Funds raised through casinos are restricted by the Alberta Gaming and Liquor Commission to be used for the purposes stated in the Society's approved casino application. The primary restriction is that these funds be used for rent, office furnishings, volunteer development and travel costs. During the year, \$62,707 (2018 - \$50,287) was transferred from the Casino Fund to the General Fund.

(b) Internally restricted funds:

The Society's Board of Directors has internally restricted resources amounting to \$741,534 (2018 - \$729,645) to be used to maintain the essential functions of the Society. During the year, \$nil (2018 - \$nil) was transferred from the Special Purposes Fund to the General Fund for this purpose.

10. Financial instruments and related risks:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Society is exposed to interest rate risk with respect to its investments (note 4). The Society seeks to minimize risk from interest rate fluctuations by investing in term deposits with fixed interest rates.

IMMIGRANT SERVICES CALGARY SOCIETY

Notes to Financial Statements, page 6

Year ended March 31, 2019, with comparative information for 2018

10. Financial instruments and related risks (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to its cash, investments and accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Society mitigates credit risk by holding its cash and investments with high quality financial institutions. The maximum exposure to credit risk on these instruments is their carrying value.

(c) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2018.

11. Commitments:

The Society has a long term lease for its premises expiring March 31, 2021. The Society also leases office equipment. The combined minimum lease payments, including operating costs, over the next five years are as follows:

2019	\$ 1,129,746
2020	1,140,757
2021	4,558
2022	3,675
2023	nil

12. Financing facility:

The Society has a credit agreement for a revolving line of credit available to a maximum of \$300,000 (2018 - \$300,000) of which \$nil (2018 - \$nil) was drawn at year end. The line of credit is secured by a general security agreement and bears interest at the bank's prime rate plus 0.50%. The bank's prime rate at March 31, 2019 was 3.95% (2018 – 3.45%).

IMMIGRANT SERVICES CALGARY SOCIETY

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Year ended March 31, 2019, with comparative information for 2018

13. Additional disclosures:

The Society is registered under the Charitable Fund-raising Act (the "Act") and discloses additional financial information in accordance with sections of the Act. Expenses incurred by the Society during the year for purpose of soliciting contributions are considered to be nominal (2018 – nominal).