

TERRA CENTRE FOR TEEN PARENTS
Financial Statements
Year Ended December 31, 2016

TERRA CENTRE FOR TEEN PARENTS

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Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Terra Centre for Teen Parents

Report on the Financial Statements

We have audited the accompanying financial statements of Terra Centre for Teen Parents, which comprise the statement of financial position as at December 31, 2016 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 charitable organizations, the Centre derives revenue from fundraising and donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to operations, assets or net assets.

Qualified Opinion

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2016 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
March 20, 2017



CHARTERED ACCOUNTANTS

TERRA CENTRE FOR TEEN PARENTS

Statement of Financial Position

December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	\$ 5,495,984	\$ 4,593,167
Accounts receivable (Note 4)	51,382	46,551
Prepaid expenses	24,261	43,446
	<u>5,571,627</u>	<u>4,683,164</u>
PROPERTY AND EQUIPMENT (Note 5)	179,452	182,485
	<u>\$ 5,751,079</u>	<u>\$ 4,865,649</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Line of credit (Note 6)	\$ 5,000	\$ 5,000
Accounts payable and accrued liabilities	411,404	306,743
Deferred contributions (Note 7)	4,523,196	3,840,715
	<u>4,939,600</u>	<u>4,152,458</u>
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT (Note 8)	19,901	22,806
	<u>4,959,501</u>	<u>4,175,264</u>
NET ASSETS		
Invested in property and equipment	159,551	159,679
Internally restricted (Note 9)	79,800	-
Unrestricted	552,227	530,706
	<u>791,578</u>	<u>690,385</u>
	<u>\$ 5,751,079</u>	<u>\$ 4,865,649</u>

APPROVED BY THE BOARD

 Director

 Director

TERRA CENTRE FOR TEEN PARENTS

Statement of Operations

Year Ended December 31, 2016

	2016	2015
REVENUE		
Government of Alberta - bursary program	\$ 1,774,840	\$ 1,765,441
Edmonton and Area Child and Family Services Authority	782,252	780,255
Edmonton and Area Day Care subsidy	704,559	701,400
Day care parent fees	453,686	399,854
Capital campaign (Note 11)	433,561	381,231
Health Canada	425,975	426,781
Fundraising and donations	399,708	446,077
Other	360,256	153,799
United Way	261,602	257,736
City of Edmonton - F.C.S.S. grant	185,276	185,276
Bingo and casino revenue	99,146	71,583
Other grants (Note 10)	74,575	121,581
Amortization of deferred contributions related to property and equipment	2,905	6,319
	5,958,341	5,697,333
EXPENSES		
Salaries and benefits	3,260,057	3,021,908
Bursary payments	1,505,166	1,589,442
Capital campaign (Note 11)	433,561	381,231
Office supplies and professional fees	139,475	101,031
Recruitment, staff development and travel	130,839	123,629
Program	128,670	120,001
Fundraising (Note 12)	119,718	102,054
Occupancy costs and insurance	115,281	97,284
Resource development	21,348	49,865
Amortization	3,033	7,959
	5,857,148	5,594,404
REVENUE OVER EXPENSES	\$ 101,193	\$ 102,929

TERRA CENTRE FOR TEEN PARENTS
Statement of Changes in Net Assets
Year Ended December 31, 2016

	Invested In Property and Equipment	Internally Restricted	Unrestricted	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 159,679	\$ -	\$ 530,706	\$ 690,385	\$ 587,456
Transfer (Note 9)	-	79,800	(79,800)	-	-
Revenue over (under) expenses	(128)	-	101,321	101,193	102,929
NET ASSETS - END OF YEAR	\$ 159,551	\$ 79,800	\$ 552,227	\$ 791,578	\$ 690,385

TERRA CENTRE FOR TEEN PARENTS
Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Revenue over expenses	\$ 101,193	\$ 102,929
Items not affecting cash:		
Amortization of deferred contributions related to property and equipment	(2,905)	(6,319)
Amortization	3,033	7,959
	<u>101,321</u>	<u>104,569</u>
Changes in non-cash working capital items:		
Accounts receivable	(4,831)	23,244
Prepaid expenses	19,185	(12,752)
Accounts payable and accrued liabilities	104,661	(11,129)
Deferred contributions	682,481	355,348
	<u>801,496</u>	<u>354,711</u>
INCREASE IN CASH	902,817	459,280
Cash and short-term investments - beginning of year	<u>4,593,167</u>	<u>4,133,887</u>
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	\$ 5,495,984	\$ 4,593,167
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 210</u>	<u>\$ 228</u>
Interest income received	<u>\$ 10,242</u>	<u>\$ 8,405</u>

TERRA CENTRE FOR TEEN PARENTS

Notes to Financial Statements

Year Ended December 31, 2016

1. NATURE OF OPERATIONS

Terra Centre for Teen Parents is a charitable organization incorporated under the Societies Act (Alberta) and is exempt from income taxes. The Centre is a community based service, providing a range of supports and services to pregnant and parenting teens including young fathers. A holistic approach is used recognizing the complex needs and issues that impact on the life of the parent and child. The Centre provides opportunities for parents to increase their ability to respond to the needs of their children more effectively, return to school, secure employment, to have healthier relationships and connect with other community services. The Centre strives to provide the supports necessary to improve outcomes for both child and parent, helping to build promising futures where the potential of both is more fully realized.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Cash and short-term investments

Cash and short-term investments are defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date and short-term deposits with maturity dates of less than six months.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives on the straight-line method at the following rates:

Building	20 years
Equipment	5 years
Leasehold improvements	5 years

Contributed goods and services

Volunteers contribute time to assist the Centre in carrying out its services. Due to the difficulty in determining their fair value, the contribution of time is not recognized in the financial statements.

The Centre recognizes donated goods and services when an amount can be reasonably determined and a donation receipt is issued.

(continues)

TERRA CENTRE FOR TEEN PARENTS
Notes to Financial Statements
Year Ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions, including operating grants, are included in revenue in the year in which they are received or receivable, with the exception that contributions to fund a specific future period's expenses are included in revenue in that later period. Grants received for the acquisition of property and equipment are deferred and amortized to revenue on the same basis as the related property and equipment.

Day care parent fees are recognized as revenue during the period to which they apply.

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.

Use of estimates

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 amounts reported in the financial statements. Significant estimates include amortization, accrued liabilities, deferred contributions and deferred contributions related to property and equipment. By their nature, these estimates are subject to measurement uncertainty and actual results could differ.

3. RESTRICTED CASH

Cash and short-term investments include \$126,957 (2015--\$113,352) in casino and bingo proceeds which can only be used in accordance with the licensing agreement with the Alberta Gaming and Liquor Commission.

Cash and short-term investments also include \$618,238 (2015--\$1,066,612) in childcare subsidy which can only be used for childcare subsidy claims approved by the Government of Alberta.

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2016	2015
Accounts receivable	\$ 53,769	\$ 4,651
Allowance for doubtful accounts	(2,387)	-
	<u>\$ 51,382</u>	<u>\$ 4,651</u>

During the year, the Centre recorded bad debts of \$2,387 (2015--\$0). This amount is included in supplies expense.

TERRA CENTRE FOR TEEN PARENTS

Notes to Financial Statements

Year Ended December 31, 2016

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 157,500	\$ -	\$ 157,500	\$ 157,500
Building	346,166	324,671	21,495	24,072
Equipment	129,951	129,494	457	913
Leasehold improvements	62,131	62,131	-	-
	<u>\$ 695,748</u>	<u>\$ 516,296</u>	<u>\$ 179,452</u>	<u>\$ 182,485</u>

6. LINE OF CREDIT

The Centre has an authorized line of credit which provides for maximum borrowings of \$400,000. The line of credit is payable on demand, bears interest at 4.2% and is secured by a general security agreement. Interest paid on the line of credit totalled \$210 (2015--\$228).

7. DEFERRED CONTRIBUTIONS

A portion of receipts received in the year are deferred to be recognized as revenue in future years as the related expenses are incurred. Deferred contributions consist of the following:

	2016	2015
Capital campaign	\$ 2,779,281	\$ 1,941,549
Government of Alberta - child care subsidy	618,238	1,066,612
Government of Alberta - bursary program	452,873	324,001
Other	172,547	87,607
Bingo and casino revenue	132,472	122,419
Government of Alberta - mental health	107,696	73,167
Health Canada	96,190	121,905
Community Initiatives Program	48,150	-
EPCOR	35,000	20,000
Alberta Innovation & Advanced Education	27,663	18,954
Edmonton Community Foundation	25,000	25,000
City of Edmonton - F.C.S.S. grant	15,440	15,440
Alberta Education	11,747	13,485
Government of Alberta - FIND project	899	10,576
	<u>\$ 4,523,196</u>	<u>\$ 3,840,715</u>

TERRA CENTRE FOR TEEN PARENTS

Notes to Financial Statements

Year Ended December 31, 2016

8. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

Deferred contributions related to property and equipment represent contributions received to fund the cost of property and equipment additions. The changes in deferred contributions related to property and equipment for the year are as follows:

	2016	2015
Balance at beginning of year	\$ 22,806	\$ 29,125
Less amounts amortized	(2,905)	(6,319)
Balance at end of year	\$ 19,901	\$ 22,806

9. INTERNALLY RESTRICTED

In the current year, the Board of Directors internally restricted \$79,800 from unrestricted net assets to fund future years' unbudgeted expenses and future special projects. The use of funds must be approved by the Board of Directors.

10. OTHER GRANTS

	2016	2015
Government of Alberta - mental health	\$ 42,230	\$ 72,516
Alberta Innovation & Advanced Education	32,345	49,065
	\$ 74,575	\$ 121,581

11. CAPITAL CAMPAIGN

The Centre is securing funding to build a community centre to more effectively serve clients. The goal is to have an Early Learning and Child Care Centre and provide opportunities and programs for young parents to pursue their goals. The revenue and expenses are related to the development and creation of this capital campaign.

12. CHARITABLE FUNDRAISING ACT AND REGULATION DISCLOSURE

Included in fundraising costs are salaries and benefits of \$61,679 (2015--\$55,756) related to fundraising activities for the current year.

TERRA CENTRE FOR TEEN PARENTS

Notes to Financial Statements

Year Ended December 31, 2016

13. ENDOWMENT CONTRIBUTION

The Centre established a permanent endowment with the Edmonton Community Foundation in 2007. The endowment is held and administered by the Edmonton Community Foundation. The Centre is the specified recipient of the income earned on this fund, but has no access to the principal amount of the investment.

14. FINANCIAL INSTRUMENTS

The Centre's financial instruments consist of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities.

The Centre is exposed to the following risks through its financial instruments:

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 Centre's main credit risk relates to accounts receivable. Accounts receivable are generally the result of fees charged to clients and amounts due from government agencies. The Centre's clients are numerous which reduces the concentration of credit risk. It is management's opinion that there is no significant credit risk as of December 31, 2016.

Liquidity risk

Liquidity risk arises from the possibility that the Centre might encounter difficulty in settling its debts or in meeting its obligations related to financial liabilities. It is management's opinion that there is no significant liquidity risk as of December 31, 2016.

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 Centre is exposed to interest rate risk arising on its interest bearing assets.
