

TERRA CENTRE FOR TEEN PARENTS
Financial Statements
Year Ended December 31, 2018

TERRA CENTRE FOR TEEN PARENTS
Index to Financial Statements
Year Ended December 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Operations	6
Statement of Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 14

INDEPENDENT AUDITOR'S REPORT

To the Members of
Terra Centre for Teen Parents

Qualified Opinion

We have audited the financial statements of Terra Centre for Teen Parents (the Centre), 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 Centre 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 charitable organizations, the Centre derives revenue from various sources such as fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenue sources was limited to the amounts recorded in the records of the Centre. Therefore, we were not able to determine whether any adjustments might be necessary to operations, assets or net assets.

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

Those charged with governance are responsible for overseeing the Centre'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 Centre'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 Centre'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 Centre 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.

Edmonton, Alberta
March 20, 2019

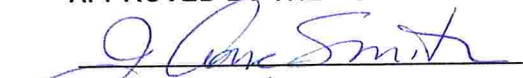
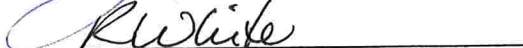


CHARTERED ACCOUNTANTS

TERRA CENTRE FOR TEEN PARENTS
Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	\$ 5,273,877	\$ 5,143,312
Accounts receivable (Note 4)	108,858	47,941
Prepaid expenses	45,506	27,295
	<u>5,428,241</u>	<u>5,218,548</u>
PROPERTY AND EQUIPMENT (Note 5)	178,997	183,045
	<u>\$ 5,607,238</u>	<u>\$ 5,401,593</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 322,613	\$ 316,963
Deferred contributions (Note 6)	4,343,960	4,178,411
	<u>4,666,573</u>	<u>4,495,374</u>
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT (Note 7)	18,012	21,449
	<u>4,684,585</u>	<u>4,516,823</u>
NET ASSETS		
Invested in property and equipment	160,985	161,596
Internally restricted (Note 8)	116,915	143,414
Unrestricted	644,753	579,760
	<u>922,653</u>	<u>884,770</u>
	<u>\$ 5,607,238</u>	<u>\$ 5,401,593</u>

APPROVED BY THE BOARD

 Director
 Director

TERRA CENTRE FOR TEEN PARENTS

Statement of Operations

Year Ended December 31, 2018

	2018	2017
REVENUE		
Government of Alberta - Strengthening Hope Pilot	\$ 1,130,965	\$ 1,059,943
Edmonton and Area Child and Family Services Authority	857,252	782,252
Edmonton and Area Day Care subsidy	801,928	769,016
Other (Note 9)	551,127	452,922
Day care parent fees	548,365	510,229
Fundraising and donations	487,730	377,721
Health Canada	425,637	425,975
United Way	268,148	266,834
City of Edmonton - F.C.S.S. grant	185,276	279,276
Ministry of Children's Services	182,658	-
Other grants (Note 10)	164,732	101,407
Bingo and casino revenue	86,513	64,740
Amortization of deferred contributions related to property and equipment	3,437	3,399
Capital campaign	-	29,319
	<u>5,693,768</u>	<u>5,123,033</u>
EXPENSES		
Salaries and benefits	4,090,951	3,588,804
Strengthening Hope payments	823,317	742,250
Program	208,794	187,974
Office supplies and professional fees	143,656	116,255
Recruitment, staff development and travel	138,274	119,987
Occupancy costs and insurance	130,809	130,392
Fundraising (Note 12)	96,919	96,398
Resource development	19,117	14,693
Amortization	4,048	3,769
Capital campaign	-	29,319
	<u>5,655,885</u>	<u>5,029,841</u>
REVENUE OVER EXPENSES	<u>\$ 37,883</u>	<u>\$ 93,192</u>

TERRA CENTRE FOR TEEN PARENTS
Statement of Changes in Net Assets
Year Ended December 31, 2018

	Invested In Property and Equipment	Internally Restricted	Unrestricted	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 161,596	\$ 143,414	\$ 579,760	\$ 884,770	\$ 791,578
Transfer (Note 8)	-	(26,499)	26,499	-	-
Revenue over (under) expenses	(611)	-	38,494	37,883	93,192
NET ASSETS - END OF YEAR	<u>\$ 160,985</u>	<u>\$ 116,915</u>	<u>\$ 644,753</u>	<u>\$ 922,653</u>	<u>\$ 884,770</u>

TERRA CENTRE FOR TEEN PARENTS

Statement of Cash Flows

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Revenue over expenses	\$ 37,883	\$ 93,192
Items not affecting cash:		
Amortization of deferred contributions related to property and equipment	(3,437)	(3,399)
Amortization	4,048	3,769
	<u>38,494</u>	<u>93,562</u>
Changes in non-cash working capital items:		
Accounts receivable	(60,917)	3,441
Prepaid expenses	(18,211)	(3,034)
Accounts payable and accrued liabilities	5,650	(94,441)
Deferred contributions	165,549	(344,785)
	<u>92,071</u>	<u>(438,819)</u>
	<u>130,565</u>	<u>(345,257)</u>
INVESTING ACTIVITY		
Purchase of equipment	-	(7,362)
FINANCING ACTIVITIES		
Repayment of line of credit	-	(5,000)
Deferred contributions received for property and equipment	-	4,947
	<u>-</u>	<u>(53)</u>
INCREASE (DECREASE) IN CASH	130,565	(352,672)
Cash and short-term investments - beginning of year	<u>5,143,312</u>	<u>5,495,984</u>
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	\$ 5,273,877	\$ 5,143,312

TERRA CENTRE FOR TEEN PARENTS

Notes to Financial Statements

Year Ended December 31, 2018

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.

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TERRA CENTRE FOR TEEN PARENTS

Notes to Financial Statements

Year Ended December 31, 2018

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 collectibility of receivables, 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 \$103,794 (2017--\$84,524) in casino and bingo proceeds which can only be used in accordance with the licensing agreement with the Alberta Gaming, Liquor and Cannabis Commission.

Cash and short-term investments also include \$133,423 (2017--\$132,687) in childcare subsidy which can only be used for childcare subsidy claims approved by the Government of Alberta.

TERRA CENTRE FOR TEEN PARENTS
Notes to Financial Statements
Year Ended December 31, 2018

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2018	2017
Accounts receivable	\$ 109,724	\$ 48,299
Allowance for doubtful accounts	(866)	(358)
	<u>\$ 108,858</u>	<u>\$ 47,941</u>

During the year, the Centre recorded bad debts of \$632 (2017--\$265). This amount is included in office supplies and professional fees expense.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 157,500	\$ -	\$ 157,500	\$ 157,500
Building	346,166	329,823	16,343	18,919
Equipment	137,313	132,159	5,154	6,626
Leasehold improvements	62,131	62,131	-	-
	<u>\$ 703,110</u>	<u>\$ 524,113</u>	<u>\$ 178,997</u>	<u>\$ 183,045</u>

TERRA CENTRE FOR TEEN PARENTS

Notes to Financial Statements

Year Ended December 31, 2018

6. 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:

	2018	2017
Capital campaign	\$ 2,767,548	\$ 2,768,525
Government of Alberta - Stengthening Hope Pilot program	403,371	659,550
Ministry of Children's Services - ELCC	327,355	-
Other	139,651	143,072
Government of Alberta - child care subsidy	133,423	132,687
Health Canada	116,635	121,749
Bingo and casino revenue	107,920	88,800
Government of Alberta - mental health	86,430	48,010
Edmonton Community Foundation	63,575	-
Anonymous donor	54,167	50,000
EPCOR	35,000	35,000
Alberta Health Services	32,146	-
Stollery Foundation	30,000	50,475
Edmonton and Area Child and Family Services Authority	25,000	-
Alberta Education	10,982	10,982
ECALA	10,757	-
Alberta Innovation & Advanced Education	-	34,936
Government of Canada	-	19,185
City of Edmonton - F.C.S.S. grant	-	15,440
	<u>\$ 4,343,960</u>	<u>\$ 4,178,411</u>

7. 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:

	2018	2017
Balance at beginning of year	\$ 21,449	\$ 19,901
Contributions	-	4,947
Less amounts recognized as revenue	(3,437)	(3,399)
Balance at end of year	<u>\$ 18,012</u>	<u>\$ 21,449</u>

TERRA CENTRE FOR TEEN PARENTS

Notes to Financial Statements

Year Ended December 31, 2018

8. INTERNALLY RESTRICTED

The Board of Directors had internally restricted \$143,414 from unrestricted net assets to fund future years' unbudgeted expenses and future special projects. The Board also authorized the use of \$26,499 of restricted funds for current year projects. The use of internally restricted funds must be approved by the Board of Directors.

9. OTHER REVENUE

	2018	2017
Other	\$ 178,913	\$ 163,638
ECSD Housing grant	152,998	52,487
Anonymous donor	60,833	68,601
EPCOR	60,000	60,000
Stollery Foundation	50,475	16,825
Chimo retreat	35,268	34,749
Interest	12,640	8,472
Government of Alberta - CIP grant	-	48,150
	<u>\$ 551,127</u>	<u>\$ 452,922</u>

10. OTHER GRANTS

	2018	2017
Government of Alberta - mental health	\$ 116,232	\$ 60,083
Alberta Innovation & Advanced Education	48,500	41,324
	<u>\$ 164,732</u>	<u>\$ 101,407</u>

11. FACILITY PROJECT

The Centre is planning to build a community centre to more effectively serve participants. The 2018 vision has been under discussion to determine what best meets the needs of the parents.

12. CHARITABLE FUNDRAISING ACT AND REGULATION DISCLOSURE

Included in fundraising costs are salaries and benefits of \$66,120 (2017--\$70,029) related to fundraising activities for the current year.

TERRA CENTRE FOR TEEN PARENTS

Notes to Financial Statements

Year Ended December 31, 2018

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:

(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 Centre's main credit risk relates to accounts receivable. Account 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, 2018.

(b) 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, 2018.

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