# TERRA CENTRE FOR TEEN PARENTS

## Financial Statements

## Year Ended December 31, 2019

**TERRA CENTRE FOR TEEN PARENTS**
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**Year Ended December 31, 2019**

PETERSON WALKER LLP
CHARTERED ACCOUNTANTS
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# INDEPENDENT AUDITORS' 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, 2019, 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, 2019, 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.

Peterson Walker LLP

Edmonton, Alberta
March 25, 2020

CHARTERED ACCOUNTANTS

**TERRA CENTRE FOR TEEN PARENTS**
**Statement of Financial Position**
**December 31, 2019**

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash and short-term investments *(Note 3)* | **$ 5,191,534** | $ 5,273,877 |
| Accounts receivable *(Note 4)* | **124,916** | 108,858 |
| Prepaid expenses | **44,333** | 45,506 |
| | **5,360,783** | 5,428,241 |
| PROPERTY AND EQUIPMENT *(Note 5)* | **183,318** | 178,997 |
| | **$ 5,544,101** | $ 5,607,238 |
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | **$ 314,339** | $ 322,613 |
| Deferred contributions *(Note 6)* | **4,285,894** | 4,343,960 |
| | **4,600,233** | 4,666,573 |
| DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT *(Note 7)* | **14,574** | 18,012 |
| | **4,614,807** | 4,684,585 |
| NET ASSETS | | |
| Invested in property and equipment | **168,744** | 160,985 |
| Internally restricted *(Note 9)* | **46,218** | 116,915 |
| Unrestricted | **714,332** | 644,753 |
| | **929,294** | 922,653 |
| | **$ 5,544,101** | $ 5,607,238 |

**APPROVED BY THE BOARD**

____________________________ *Director*

____________________________ *Director*

**TERRA CENTRE FOR TEEN PARENTS**

**Statement of Operations**

**Year Ended December 31, 2019**

| | 2019 | 2018 |
|---|---|---|
| **REVENUE** | | |
| Government of Alberta - Strengthening Hope | **$ 1,119,780** | $ 1,130,965 |
| Edmonton and Area Child and Family Services Authority | **882,252** | 857,252 |
| Edmonton and Area Day Care subsidy | **785,418** | 801,928 |
| Day care parent fees | **562,386** | 548,365 |
| Fundraising and donations | **539,899** | 464,229 |
| Health Canada | **425,975** | 425,637 |
| Other *(Note 10)* | **362,893** | 551,127 |
| Ministry of Children's Services | **347,302** | 182,658 |
| United Way | **268,148** | 268,148 |
| Other grants *(Note 11)* | **206,219** | 164,732 |
| City of Edmonton - F.C.S.S. grant | **185,276** | 185,276 |
| C5 Collaboration grants | **98,803** | - |
| Bingo and casino revenue | **66,780** | 86,513 |
| Capital campaign | **49,015** | 23,501 |
| Amortization of deferred contributions related to property and equipment | **3,438** | 3,438 |
| | **5,903,584** | 5,693,769 |
| **EXPENSES** | | |
| Salaries and benefits | **4,318,419** | 4,090,951 |
| Strengthening Hope payments | **774,645** | 823,317 |
| Program | **210,113** | 208,794 |
| Recruitment, staff development and travel | **134,732** | 138,274 |
| Occupancy costs and insurance | **127,409** | 130,809 |
| Office supplies and professional fees | **107,586** | 143,657 |
| Fundraising *(Note 13)* | **105,565** | 96,919 |
| C5 Collaboration disbursements | **98,803** | - |
| Resource development | **14,692** | 19,117 |
| Amortization | **4,979** | 4,048 |
| | **5,896,943** | 5,655,886 |
| **REVENUE OVER EXPENSES** | **$ 6,641** | $ 37,883 |

**TERRA CENTRE FOR TEEN PARENTS**

**Statement of Changes in Net Assets**

**Year Ended December 31, 2019**

| | Invested In Property and Equipment | Internally Restricted | Unrestricted | **2019** | 2018 |
|---|---|---|---|---|---|
| **NET ASSETS - BEGINNING OF YEAR** | $ 160,985 | $ 116,915 | $ 644,753 | **$ 922,653** | $ 884,770 |
| Purchase of property and equipment | 9,300 | - | (9,300) | **-** | - |
| Transfer *(Note 9)* | - | (70,697) | 70,697 | **-** | - |
| Revenue over (under) expenses | (1,541) | - | 8,182 | **6,641** | 37,883 |
| **NET ASSETS - END OF YEAR** | $ 168,744 | $ 46,218 | $ 714,332 | **$ 929,294** | $ 922,653 |

**TERRA CENTRE FOR TEEN PARENTS**

**Statement of Cash Flows**

**Year Ended December 31, 2019**

| | | **2019** | | 2018 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Revenue over expenses | **$** | **6,641** | $ | 37,883 |
| Items not affecting cash: | | | | |
| Amortization of deferred contributions related to property and equipment | | **(3,438)** | | (3,437) |
| Amortization | | **4,979** | | 4,048 |
| | | **8,182** | | 38,494 |
| Changes in non-cash working capital items: | | | | |
| Accounts receivable | | **(16,058)** | | (60,917) |
| Prepaid expenses | | **1,173** | | (18,211) |
| Accounts payable and accrued liabilities | | **(8,274)** | | 5,650 |
| Deferred contributions | | **(58,066)** | | 165,549 |
| | | **(81,225)** | | 92,071 |
| | | **(73,043)** | | 130,565 |
| **INVESTING ACTIVITY** | | | | |
| Purchase of equipment | | **(9,300)** | | - |
| **(DECREASE) INCREASE IN CASH** | | **(82,343)** | | 130,565 |
| Cash and short-term investments - beginning of year | | **5,273,877** | | 5,143,312 |
| **CASH AND SHORT-TERM INVESTMENTS - END OF YEAR** | **$** | **5,191,534** | $ | 5,273,877 |

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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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 $56,036 (2018--$103,794) 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 $134,494 (2018--$133,423) 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:

| | **2019** | 2018 |
|---|---|---|
| Accounts receivable | **$ 134,202** | $ 109,724 |
| Allowance for doubtful accounts | **(9,286)** | (866) |
| | **$ 124,916** | $ 108,858 |

During the year, the Centre recorded bad debts of $8,420 (2018--$632). This amount is included in office supplies and professional fees expense.

## 5. PROPERTY AND EQUIPMENT

| | Cost | Accumulated amortization | **2019 Net book value** | 2018 Net book value |
|---|---|---|---|---|
| Land | $ 157,500 | $ - | **$ 157,500** | $ 157,500 |
| Building | 346,166 | 332,400 | **13,766** | 16,343 |
| Equipment | 146,614 | 134,562 | **12,052** | 5,154 |
| Leasehold improvements | 62,131 | 62,131 | **-** | - |
| | $ 712,411 | $ 529,093 | **$ 183,318** | $ 178,997 |

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:

| | **2019** | 2018 |
|---|---|---|
| Capital campaign | **$ 2,751,770** | $ 2,767,548 |
| Government of Alberta - Stengthening Hope Pilot program | **559,937** | 403,371 |
| Ministry of Children's Services - ELCC | **332,053** | 327,355 |
| Restricted donations | **163,816** | 100,801 |
| Government of Alberta - child care subsidy | **134,494** | 133,423 |
| Edmonton Community Foundation | **97,687** | 63,575 |
| Other | **67,523** | 38,850 |
| Bingo and casino revenue | **64,377** | 107,920 |
| Edmonton Public School Board | **34,795** | - |
| Edmonton and Area Child and Family Services Authority | **25,000** | 25,000 |
| Government of Alberta - mental health | **19,842** | 86,430 |
| Government of Alberta | **16,630** | - |
| Alberta Innovation & Advanced Education | **10,974** | 10,982 |
| Alberta Health Services | **6,996** | 32,146 |
| Health Canada | **-** | 116,635 |
| Anonymous donor | **-** | 54,167 |
| EPCOR | **-** | 35,000 |
| Stollery Foundation | **-** | 30,000 |
| ECALA | **-** | 10,757 |
| | **$ 4,285,894** | $ 4,343,960 |

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:

| | **2019** | 2018 |
|---|---|---|
| Balance at beginning of year | **$ 18,012** | $ 21,449 |
| Less amounts recognized as revenue | **(3,438)** | (3,437) |
| Balance at end of year | **$ 14,574** | $ 18,012 |

8. ECONOMIC DEPENDENCE

The Centre is economically dependent on government grants and funding for its continued viability. Subsequent to the year end, the daycare program has been temporarily closed due to the Alberta Government closure of all schools and daycare facilities in the province related to current health crisis in Canada.

9. INTERNALLY RESTRICTED

The Board of Directors had internally restricted $116,915 from unrestricted net assets to fund future years' unbudgeted expenses and future special projects. During the year, $70,697 was approved for use from the fund. The use of internally restricted funds must be approved by the Board of Directors.

10. OTHER REVENUE

| | **2019** | 2018 |
|---|---|---|
| Other | **$ 164,545** | $ 178,913 |
| Anonymous donor | **54,167** | 60,833 |
| EPCOR | **35,000** | 60,000 |
| Stollery Foundation | **30,000** | 50,475 |
| Training grants | **24,569** | 152,998 |
| Alberta Health Services | **21,275** | - |
| Interest | **19,409** | 12,640 |
| Chimo retreat | **11,756** | 35,268 |
| ATB housing | **2,172** | - |
| | **$ 362,893** | $ 551,127 |

11. OTHER GRANTS

| | **2019** | 2018 |
|---|---|---|
| Government of Alberta - mental health | **$ 135,615** | $ 116,232 |
| Alberta Innovation & Advanced Education | **49,329** | 48,500 |
| Edmonton Public School Board | **15,205** | - |
| Edmonton Community Foundation | **6,070** | - |
| | **$ 206,219** | $ 164,732 |

12. FACILITY PROJECT

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

13. CHARITABLE FUNDRAISING ACT AND REGULATION DISCLOSURE

Included in fundraising costs are salaries and benefits of $68,104 (2018--$66,120) related to fundraising activities for the current year.

## 14. 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.

## 15. 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. 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, 2019.

### 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, 2019.

### 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.