TERRA CENTRE FOR TEEN PARENTS

Financial Statements

Year Ended December 31, 2023

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Year Ended December 31, 2023

PETERSON WALKER LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Directors 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, 2023, 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, 2023, 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 27, 2024

CHARTERED PROFESSIONAL ACCOUNTANTS

TERRA CENTRE FOR TEEN PARENTS

Statement of Financial Position

December 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash and short-term investments *(Note 3)*	**$ 2,657,865**	$ 4,215,033
Accounts receivable *(Note 4)*	**155,043**	87,643
Prepaid expenses	**51,279**	61,695
	2,864,187	4,364,371
PROPERTY AND EQUIPMENT *(Note 5)*	**5,011,893**	4,771,519
	$ 7,876,080	$ 9,135,890
LIABILITIES AND NET ASSETS		
CURRENT		
Line of credit *(Note 6)*	**$ 751,882**	$ 1,051,933
Accounts payable and accrued liabilities	**217,460**	229,150
Deferred contributions *(Note 7)*	**1,006,812**	2,220,873
	1,976,154	3,501,956
DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT *(Note 8)*	**2,610,726**	2,370,353
	4,586,880	5,872,309
NET ASSETS		
Invested in property and equipment	**1,649,285**	1,349,233
Internally restricted *(Note 11)*	**515,881**	-
Unrestricted	**1,124,034**	1,914,348
	3,289,200	3,263,581
	$ 7,876,080	$ 9,135,890

COMMITMENT *(Note 9)*

APPROVED BY THE BOARD

Susan Lowe _______________ *Director*

_______________ *Director*

See notes to

TERRA CENTRE FOR TEEN PARENTS
Statement of Operations
Year Ended December 31, 2023

	2023	2022
REVENUE		
Fundraising and donations	$ **787,209**	$ 669,194
Government of Alberta - Strengthening Hope	**701,429**	579,949
Government of Alberta - Child Care	**633,582**	407,905
Government of Alberta - FRN	**585,089**	585,264
Other	**531,782**	537,989
Health Canada - CAPC	**418,365**	435,930
Child Care parent fees	**355,502**	251,649
City of Edmonton - F.C.S.S. grant	**318,613**	156,512
Capital campaign	**243,823**	212,208
United Way	**201,865**	225,000
Amortization of deferred contributions related to property and equipment	**173,556**	90,722
Gaming revenue	**86,661**	52,181
Interest	**68,864**	29,971
Edmonton Community Foundation - various funds	**64,884**	20,013
ECALA	**56,621**	36,429
Gain on disposal of building	**-**	952,221
	5,227,845	5,243,137
EXPENSES		
Salaries and benefits	**3,324,360**	3,117,781
Strengthening Hope payments	**327,318**	215,480
Program	**314,531**	310,312
Fundraising *(Note 12)*	**237,988**	139,057
Occupancy costs and insurance	**236,178**	259,593
Capital campaign *(Note 12)*	**185,293**	212,208
Amortization	**173,556**	133,896
Office supplies and professional fees	**166,361**	169,250
Staff development and training	**129,041**	39,514
Interest on line of credit *(Note 6)*	**58,530**	61,382
Travel	**30,786**	33,414
Recruitment and advertising	**18,284**	35,369
	5,202,226	4,727,256
REVENUE OVER EXPENSES	$ **25,619**	$ 515,881

See notes to

TERRA CENTRE FOR TEEN PARENTS
Statement of Changes in Net Assets
Year Ended December 31, 2023

	Invested In Property and Equipment	Internally restricted	Unrestricted	**2023**	2022
NET ASSETS - BEGINNING OF YEAR	$ 1,349,233	$ -	$ 1,914,348	**$ 3,263,581**	$ 2,747,700
Transfer *(Note 11)*	-	515,881	(515,881)	-	-
Repayment on line of credit	300,052	-	(300,052)	-	-
Revenue over expenses	-	-	25,619	**25,619**	515,881
NET ASSETS - END OF YEAR	$ 1,649,285	$ 515,881	$ 1,124,034	**$ 3,289,200**	$ 3,263,581

See notes to

TERRA CENTRE FOR TEEN PARENTS
Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Revenue over expenses	$ 25,619	$ 515,881
Items not affecting cash:		
Amortization of deferred contributions related to property and equipment	(173,556)	(90,722)
Gain on disposal of building	-	(952,221)
Amortization	173,556	133,896
	25,619	(393,166)
Changes in non-cash working capital items:		
Accounts receivable	(67,400)	71,581
Prepaid expenses	10,416	(19,416)
Accounts payable and accrued liabilities	(11,690)	(114,673)
Deferred contributions	(1,214,061)	(588,510)
	(1,282,735)	(651,018)
	(1,257,116)	(1,044,184)
INVESTING ACTIVITIES		
Purchase of property and equipment	(413,929)	(787,122)
Proceeds on disposal of building	-	1,118,335
	(413,929)	331,213
FINANCING ACTIVITIES		
Repayment on line of credit	(300,052)	(798,067)
Deferred contributions received for property and equipment	413,929	1,655,480
	113,877	857,413
(DECREASE) INCREASE IN CASH	(1,557,168)	144,442
Cash and short-term investments - beginning of year	4,215,033	4,070,591
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	$ 2,657,865	$ 4,215,033
CASH CONSISTS OF:		
Cash	$ 1,657,865	$ 2,220,581
Term deposits	1,000,000	1,994,452
	$ 2,657,865	$ 4,215,033

See notes to

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 redeemable 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 .

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

Rental revenue is recognized over the term of the lease.

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, useful life of property and equipment, 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 $95,579 (2022--$22,452) in casino and bingo proceeds which can only be used in accordance with the licensing agreement with the Alberta Gaming, Liquor and Cannabis Commission.

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2023	2022
Accounts receivable	$ **107,319**	$ 75,177
Goods and Service Tax rebate	**5,195**	4,396
Accrued interest	**42,529**	22,316
Allowance for doubtful accounts	**-**	(14,246)
	$ **155,043**	$ 87,643

During the year, the Centre recorded bad debt recovery of $8,619 (2022--$0) and bad debts of $0 (2022--$14,246). This amount is included in office supplies and professional fees expense.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	$ 1,500,000	$ -	$ **1,500,000**	$ 1,500,000
Building	3,687,439	342,199	**3,345,240**	3,092,136
Equipment	335,083	168,430	**166,653**	179,383
	$ 5,522,522	$ 510,629	$ **5,011,893**	$ 4,771,519

6. LINE OF CREDIT

The Centre has an authorized line of credit which was used to assist with the purchase of the building. The line of credit is payable on demand, bears interest at 7.95% and is secured by a general security agreement. Interest paid on the line of credit totalled $58,230 (2022--$61,382).

In February 2024, subsequent to year end, the line of credit was repaid and a new loan with the Muttart Foundation was received. The loan bears interest at 5% with monthly blended principal and interest payments of $7,883. The loan is secured by a first fixed charge over the land, building and improvements and a general assignment of leases and rents.

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. Changes in deferred contributions are as follows:

	2023	2022
Balance at beginning of year	**$ 2,220,873**	$ 2,809,383
Contributions	**1,825,433**	996,929
Less amounts recognized as revenue	**(3,039,494)**	(1,585,439)
Balance at end of year	**$ 1,006,812**	$ 2,220,873

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:

	2023	2022
Balance at beginning of year	**$ 2,370,353**	$ 805,595
Contributions	**413,929**	1,655,480
Less amounts recognized as revenue	**(173,556)**	(90,722)
Balance at end of year	**$ 2,610,726**	$ 2,370,353

9. COMMITMENT

The Centre signed a contract with Sustainable Buildings Consortium for $642,546 to complete renovations for the main floor of the building. The project is expected to be completed in June 2024.

10. ECONOMIC DEPENDENCE

The Centre is economically dependent on government grants and funding for its continued viability.

11. INTERNALLY RESTRICTED

During the year, the Board of Directors internally restricted $515,881 from unrestricted net assets to fund future special projects. The use of internally restricted funds must be approved by the Board of Directors.

12. CHARITABLE FUNDRAISING ACT AND REGULATION DISCLOSURE

Included in capital campaign costs are salaries and benefits of $171,037 (2022--$203,918) related to capital campaign activities for the current year.

Included in fundraising costs are salaries and benefits of $215,549 (2022--$106,817) related to fundraising activities for the current year.

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, line of credit 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 be 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, 2023.

Liquidity risk

Liquidity risk arises from the possibility that the Centre might encounter difficulty is 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, 2023.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Centre is exposed to interest rate risk primarily on its interest bearing assets and its floating interest rate on its line of credit.