

**FLAGSTAFF REGIONAL HOUSING GROUP
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CONTENTS

Independent Auditors' Report
Statement of Financial Position
Statement of Changes in Net Assets
Statement of Operations
Statement of Cash Flow
Notes to the Financial Statements

To the Board of Directors of Flagstaff Regional Housing Group:

Opinion

We have audited the financial statements of Flagstaff Regional Housing Group (the "Management Body"), which comprise the statement of financial position as at December 31, 2020, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Management Body as at December 31, 2020, 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 Opinion

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

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

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 Management Body'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 Management Body'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 Management Body 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.

Red Deer, Alberta

March 30, 2021


MNP LLP

Chartered Professional Accountants


FLAGSTAFF REGIONAL HOUSING GROUP
STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	2020	2019
		(Restated, Note 15)
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 862,684	\$ 331,956
Short term Investments (Note 4)	-	540,000
Accounts receivable (Note 5)	65,036	23,867
Prepaid expense	1,676	4,257
	929,396	900,080
 Tangible capital assets (Note 6)	 118,292	 76,963
	\$ 1,047,688	\$ 977,043
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 141,810	\$ 112,555
Deferred revenue (Note 9)	58,295	20,951
	200,105	133,506
 Net assets		
Unrestricted	659,048	698,404
Internally restricted (Note 10)	70,243	68,170
Invested in capital assets	118,292	76,963
	847,583	843,537
	\$ 1,047,688	\$ 977,043

Approval on behalf of the board:



Director



Director

The accompanying notes are an integral part of these financial statements.

FLAGSTAFF REGIONAL HOUSING GROUP
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2020

	2020				2019
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 10)	Net Assets Invested in Capital	Total	(Restated Note 15) Total
Beginning balance, as previously stated	\$ 698,404	89,120	\$ 76,963	\$864,487	\$ 872,226
Prior period adjustment (Note 15)		(20,950)		(20,950)	
Beginning balance, as restated	698,404	68,170	76,963	843,537	872,226
Excess (deficiency) of revenues over expenses	4,046	-	-	4,046	(28,689)
Purchase of capital assets	(48,750)	-	48,750	-	-
Amortization of tangible assets	7,421	-	(7,421)	-	-
Transfer to internally restricted	(2,073)	2,073	-	-	-
Ending balance	\$ 659,048	\$ 70,243	\$ 118,292	\$847,583	\$ 843,537

The accompanying notes are an integral part of these financial statements.

FLAGSTAFF REGIONAL HOUSING GROUP
STATEMENT OF OPERATIONS
For the year ended December 31, 2020

	2020 Budget (unaudited)	2020	2019
			(Restated Note 15)
Revenue			
Accommodation	\$ 427,200	\$ 395,758	\$ 397,052
Grants (Note 12)	19,000	76,532	28,974
Donations	-	15,000	-
Recoveries	30,300	41,799	39,406
Interest and Miscellaneous	12,600	22,752	26,347
	<u>\$ 489,100</u>	<u>\$ 551,841</u>	<u>\$ 491,778</u>
Expenses			
Wages and Benefits	\$ 475,000	\$ 501,057	\$ 512,504
Utilities	76,350	73,878	76,906
Food and Kitchen Supplies	68,100	67,984	66,568
Administration Management	61,500	61,500	69,756
Building and Ground Maintenance	14,200	17,990	19,016
Resident Life Enhancement	-	15,000	5,221
General Administration	23,750	13,778	17,364
Telephone	5,650	11,423	5,551
Professional Fees	9,000	9,469	9,325
Laundry and Linen Supplies	4,536	9,415	6,354
Covid 19	-	5,077	-
Conference and Travel	-	1,782	4,655
Insurance	712	984	956
Equipment Repairs and Maintenance	-	756	3,209
Small Equipment	302	280	157
	<u>\$ 739,100</u>	<u>\$ 790,374</u>	<u>\$ 797,542</u>
Deficiency of revenue over expenses before municipal requisitions and other items	(250,000)	(238,533)	(305,764)
Municipal Requisitions (Note 13)	250,000	250,000	300,000
Extraordinary Expenses	-	-	(14,679)
Excess (deficiency) of revenue over expenses before amortization	-	11,467	(20,443)
Amortization of Tangible Capital Assets	-	(7,421)	(8,246)
Excess (deficiency) of revenue over expenses	<u>\$ -</u>	<u>\$ 4,046</u>	<u>\$ (28,689)</u>

The accompanying notes are an integral part of these financial statements.

FLAGSTAFF REGIONAL HOUSING GROUP
STATEMENT OF CASH FLOW
For the year ended December 31, 2020

	2020	2019
		(Restated Note 15)
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ 4,046	\$ (28,689)
Adjustments for items which do not affect cash		
Realized gains on disposal of investment		
Amortization of tangible capital assets	7,421	8,246
	11,467	(20,443)
Change in non-cash working capital items		
Accounts receivable	(41,169)	11,153
Prepaid expense	2,581	(3,614)
Deferred revenue	37,344	20,951
Accounts payable and accrued liabilities	(19,496)	63,742
	(20,740)	92,232
Cash flows from investing activity		
Purchase of short term investment	-	(540,000)
Proceeds on sale of investment	540,000	536,627
	540,000	(3,373)
Increase in cash and cash equivalents	530,728	68,416
Cash and cash equivalents, beginning of year	331,957	263,541
Cash and cash equivalents, end of year	\$ 862,685	\$ 331,957

The accompanying notes are an integral part of these financial statements.

Flagstaff Regional Housing Group

Notes to the Financial Statements

For the Year Ended December 31, 2020

1. Nature of operations:

Flagstaff Regional Housing Group (FRHG), the management body, was established as a management body by Ministerial Order, pursuant to the Alberta Housing Act. It is responsible for the operation and administration of Big Knife Lodge in Forestburg, Alberta and Flagstaff Lodge in Sedgewick, Alberta. During the course of 2016 Flagstaff Lodge in Sedgewick ceased operations and was demolished to make room for a self-contained housing project.

The management body qualifies as a not-for-profit organization in the Income Tax Act, and as such, is exempt from income taxes.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Revenue recognition:

The management body follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions, including accommodation, donations, recoveries and health services funding, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue at the same rate of amortization as the related acquired capital assets. Externally restricted donations for other purposes are recognized when the terms are met.

Provincial government grants are recognized as revenue in the year in which the funding is requisitioned.

Government assistance grants are recognized when there is reasonable assurance that it will comply with the conditions required to qualify for the assistance and that the assistance will be received. Government assistance is recognized as income when the conditions have been met.

Requisition revenue is recognized as income in the year for which the funding is requisitioned.

Investment income is recognized when received if the amount to be received can be reasonably estimated and collections is reasonably assured.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and balances with banks and guaranteed investment certificates with original maturities of three months or less.

(c) Tangible capital assets:

Tangible capital assets acquired are recorded at cost. When the organization receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date. When fair value cannot be reasonably determined, the tangible capital asset is recorded at a nominal value. These assets are then amortized on a declining balance method over the estimated useful life of each asset using the following annual rates:

Buildings	10%
Equipment	10%

When the management body recognizes that a tangible capital asset no longer has any long-term service potential, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. A full year of amortization is calculated in the year of acquisition, no amortization is calculated in the year of disposal

(d) Net assets invested in capital assets

The management body has chosen to present net assets invested in capital assets as a separate component of net assets.

(e) Contributed materials and services:

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services used in the normal course of operations, and would otherwise have been purchased.

(f) Financial assets and liabilities:

The management body initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The management body subsequently measures all its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets). The financial instruments measured at amortized cost. Financial instruments measured at amortized cost include cash and cash equivalents, accounts receivable and accounts payable.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess (deficiency) of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized costs.

With respect to financial assets measured at amortized cost, the management body assesses whether there are any indications of impairment. When there is an indication of impairment, and if the management body determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

(g) Use of estimates:

The preparation of these statements requires the management body 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 statements, and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates include estimated useful lives of tangible capital assets, and current portion of long-term debt. Actual results could differ from these estimates.

3. Cash and cash equivalents:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks, net of outstanding cheques and deposits	\$ 719,235	\$ 242,835
Restricted cash	143,449	89,121
	<u>\$ 862,684</u>	<u>\$ 331,956</u>

4. Short term investment:

The Management Body holds no guaranteed investment certificates. In 2019, a guaranteed investment certificate (GIC) of \$540,000 was held at the Alberta Treasury Branch which earned interest at rates between 2.37% and 2.46% and the GIC matured in April and May 2020.

5. Account receivable:

	<u>2020</u>	<u>2019</u>
Alberta Social Housing Corporation	\$ 57,211	\$ -
GST Receivable	7,302	15,196
Other Receivables	523	-
Accrued interest receivable	-	8,671
	<u>\$ 65,036</u>	<u>\$ 23,867</u>

6. Tangible capital assets:

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2,750		\$ 2,750	\$ 2,750
Buildings	301,638	257,050	44,588	49,540
Equipment	146,916	75,961	70,955	24,673
	<u>\$ 402,554</u>	<u>\$ 325,590</u>	<u>\$ 118,292</u>	<u>\$ 76,963</u>

During the year tangible capital assets were acquired at an aggregate cost of \$48,750 (2019 \$0) of which \$48,750 (\$2019 – 0) is included in accounts payable and the remainder \$0 (2019- \$0) was acquired through cash.

7. Accounts payable and accrued liabilities:

	2020	2019
Trade payables	\$ 64,279	\$ 872
Due to Bethany Nursing Home of Camrose, Alberta	53,352	72,118
Accrued expenses and prepaid rent	16,356	9,450
Wages and benefits remittances payable	7,823	30,115
	<u>\$ 141,810</u>	<u>\$ 112,555</u>

8. Related party transactions:

The Bethany Nursing Home of Camrose, Alberta acts as Chief Administrative Officer (CAO) for Flagstaff Regional Housing Group providing management, administrative, and operational support for the organization.

Bethany Nursing Home of Camrose, Alberta pays all expenditures on behalf of the lodges and is reimbursed monthly. As at December 31, 2020, the amount due (from) to the management body for expenditures incurred for the lodges amounted to \$45,992 (2019 - \$72,118)

The management body paid \$61,500 (2019 - \$69,756) for management fees. These transactions were in the normal course of operations and were recorded at the exchange amount, which is the amount agreed upon by the related parties.

9. Deferred Revenue:

Funds from donations are received and are designated to be used for specific purposes related to specific purposes which are not available for unrestricted purposes. Funds held for the Big Knife Villa Van Project are held on behalf of the Big Knife Villa Resident Society.

	<u>2020</u>	<u>2019</u>
		(Restated Note 15)
Funds Held for the following use:		
Big Knife Villa Handi Van	\$ 58,295	\$ 20,951
	<u>2020</u>	<u>2019</u>
Balance January 1	\$ 20,951	\$ -
Donations received during the year	52,344	20,951
Funds used	(15,000)	-
	<u>\$ 58,295</u>	<u>\$ 20,951</u>

10. Internally restricted:

Internally restricted funds are not available for unrestricted purposes without the approval of the Flagstaff Regional Housing Group Board of Directors. Funds are restricted for resident life enhancement purposes. In 2020, donations received and interest income earned less expenditures funded from reserves amounted to an increase of \$2,073 (2019 - \$17,309) in internally restricted net assets for the year.

11. Financial instruments:

The management body maintains a risk management framework to monitor, evaluate, and manage the principal risks assumed with financial instruments. The risks that arise from financial instruments include liquidity and market risk; market risk arises from changes in interest rates and other price risks. Accounts receivable from two government agencies (2019 – one government agency) in connection with trade receivables represents 99.2% (2019 – 63.7%) of total accounts receivable at December 31 2020. The management body believes there is minimal risk associated with the collection of these amounts.

Credit risk

The management body is exposed to credit risk as it grants credit to its residents in the normal course of operations. The risk is mitigated by the fact that the receivables are from various residents and government agencies.

Market risk

The management body's financial instruments expose it to market risk, in particular interest rate risk and other price risk, resulting from its operations. There has been no significant change in risk from the prior year.

The guaranteed investment certificates bear interest at a fixed rate and the management body is therefore not exposed to the risk of changes in fair value resulting from interest rate fluctuations. There has been no significant change in risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the management body may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The management body's exposure to liquidity risk is dependent on the receipt of funds from a variety of sources, whether in the form of revenue or advances. There has been no significant change in risk from the prior year.

Emerging Risk - COVID

The recent outbreak of the Coronavirus (COVID-19) pandemic may affect the Management Body's operations. The extent to which the Coronavirus impact's operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. In particular, the continued spread of the Coronavirus could materially and adversely impact operations, including without limitation employee health and productivity, service demand and collectability of accounts receivable.

12. Grants:

Throughout the year funds were received from others for specific purposes as follows:

	<u>2020</u>	<u>2019</u>
Lodge Assistance Program	\$ 14,484	\$ 28,974
Covid Costs	3,783	-
Covid Lost Revenue	58,265	-
	<u>\$ 76,532</u>	<u>\$ 28,974</u>

13. Municipal requisitions:

	<u>2020</u>	<u>2019</u>
County of Flagstaff	\$ 190,100	\$ 227,580
Town of Hardisty	13,350	15,570
Town of Killam	12,600	14,880
Town of Sedgewick	11,625	13,590
Town of Daysland	9,300	12,810
Village of Forestburg	8,600	10,110
Village of Lougheed	2,350	2,820
Village of Heisler	1,050	1,260
Village of Alliance	1,025	1,380
	<u>\$ 250,000</u>	<u>\$ 300,000</u>

14. Emerging Risk – COVID

The recent outbreak of the Coronavirus (COVID-19) pandemic may affect the Management Body's operations. The extent to which the Coronavirus impact's operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. In particular, the continued spread of the Coronavirus could materially and adversely impact operations, including without limitation employee health and productivity, service demand and collectability of accounts receivable. These factors may have a material and adverse effect on the Management Body, its future financial condition and results of operations.

In 2020, the Management Body was in receipt of grant funding provided by the Government of Alberta to offset lost revenue and additional eligible costs incurred related to operations. These amounts of funding received and costs incurred are reported within these financial statements. It is unknown if such grant funding will be available in future periods.

15. Restatement:

During the year, the management body determined that deferred revenue was not correctly recorded in the previous year, causing prior year revenue to be overstated by \$20,951, deferred revenue to be understated by \$20,951, internally restricted net assets to be overstated by \$20,951 and deficiency of revenue over expenses to be overstated by \$20,951.

The nature of the funds are related to donations to the Big Knife Villa Van Project which is described in Note 9 of these financial statements.

16. Comparative figures:

Certain comparative amounts for the prior year have been reclassified in this year's financial statements. The reclassification has no effect on the surplus (deficiency) from operations or the net assets of the organization as previously reported.