FLAGSTAFF REGIONAL HOUSING GROUP

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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Independent Auditor's Report

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, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Management Body 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 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.

Other Matter

The financial statements of the Management Body for the year ended December 31, 2018 were audited by another public accounting firm who expressed an unmodified opinion on those statements on April 2, 2019.

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.

Lacombe, Alberta

April 15, 2030

MNP LLP

Chartered Professional Accountants

FLAGSTAFF REGIONAL HOUSING GROUP
STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

		2019		2018 (Restated, Note 14)
ASSETS				
Current				
Cash and cash equivalents *(Note 3)*	$	331,956	$	263,541
Short term investments *(Note 4)*		540,000		536,627
Accounts receivable *(Note 5)*		23,867		44,454
Prepaid expense		4,256		642
		900,079		845,264
Tangible capital assets *(Note 6)*		76,964		85,209
	$	977,043	$	930,473
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accrued liabilities *(Note 7)*	$	112,555	$	58,247
Net assets				
Unrestricted		698,404		715,206
Internally restricted *(Note 9)*		89,121		71,811
Invested in capital assets		76,963		85,209
		864,488		872,226
	$	977,043	$	930,473

Approval on behalf of the board:

LEASE SIGN HERE

Debra Smith

Director

PLEASE SIGN HERE

Director

FLAGSTAFF REGIONAL HOUSING GROUP
STATEMENT OF OPERATIONS
For the year ended December 31, 2019

	2019 Budgeted *(Unaudited)*	2019	2018
Revenue			
Accommodation	$ 445,000	$ 397,052	$ 433,429
Lodge Assistance Program Grants	58,000	28,974	112,106
Recoveries	45,750	39,406	45,433
Miscellaneous	9,000	47,298	16,726
	557,750	512,729	607,694
Expenses			
Administration management	68,650	69,756	87,996
Building and ground maintenance	19,100	19,016	17,092
Conference and travel	6,224	4,655	6,075
Equipment repairs and maintenance	1,900	3,209	2,823
Food and kitchen supplies	88,598	66,568	79,151
General dminstration	14,379	17,364	17,758
Insurance	600	956	563
Laundry and linen supplies	8,201	6,354	7,412
Professional fees	5,300	9,325	10,165
Resident life enhancement	-	5,221	-
Small equipment	3,760	158	1,853
Telephone	7,000	5,551	5,720
Utilities	83,000	76,906	76,831
Wages and benefits	$ 527,288	$ 512,504	$ 503,974
	834,000	797,543	817,413
Deficiency of revenue over expenses before municipal requisitions and other items	(276,250)	(284,814)	(209,718)
Municipal Requisitions *(Note 12)*	300,000	300,000	300,001
Extraordinary expense	-	(14,679)	-
Excess of revenue over expenses before amortization	23,750	507	90,283
Amortization of Tangible Capital Assets	(10,180)	(8,246)	(9,162)
Excess (deficiency) of revenue over expenses	$ 13,570	$ (7,739)	$ 81,121

FLAGSTAFF REGIONAL HOUSING GROUP

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2019

	2019				2018
	Unrestricted Net Assets	**Internally Restricted Net Assets** *(Note 7)*	**Net Assets Invested In Capital Assets**	**Total Net Assets**	**Total**
Beginning balance	$ 715,206	$ 71,811	$ 85,209	$ 872,226	$ 791,105
Excess of revenues over expenses	(7,739)	-	-	(7,739)	81,121
Transfer to (from) internally restricted net assets	(17,309)	17,309	-	-	-
Amortization of tangible capital assets	8,246	-	(8,246)	-	-
Ending balance	$ 698,404	$ 89,120	$ 76,963	$ 864,487	$ 872,226

FLAGSTAFF REGIONAL HOUSING GROUP

STATEMENT OF CASH FLOW

For the year ended December 31, 2019

	2019	2018 *(Restated, Note 14)*
Cash flows from operating activities		
Excess of revenue over expenses	$ (7,739)	$ 81,121
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	8,246	9,162
	507	90,283
Change in non-cash working capital items		
Accounts receivable	20,587	(31,263)
Prepaid expense	(3,614)	1,846
Accounts payable and accrued liabilities	54,308	(2,582)
	71,788	58,284
Cash flows from investing activity		
Increase in investments	(3,373)	(105,177)
Increase (decrease) in cash and cash equivalents	68,415	(46,893)
Cash and cash equivalents, beginning of year	263,541	310,434
Cash and cash equivalents, end of year	$ 331,956	$ 263,541

Flagstaff Regional Housing Group
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 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.

Rent revenue is recognized as services are provided to the customers, collection of the receivable is probable, persuasive evidence of an arrangement exists and the sale price is fixed or determinable. Rent income is recognized monthly on a time proportioned basis.

Unrestricted contributions, including accommodation, 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.

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

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.

2. Significant accounting policies *(continued from previous page)*:

(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 management body 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). Financial instruments measured at amortized cost include cash and cash equivalents, accounts receivable and accounts payable. Short term investments are recorded at fair market value.

2. Significant accounting policies *(continued from previous page)*:

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 property and equipment, and current portion of long-term debt. Actual results could differ from these estimates

3. Cash and cash equivalents:

	2019	2018 *(Restated, Note 13)*
Cash and cash equivalents consist of:		
Cash on hand and balances with banks, net of outstanding cheques and deposits	$ 242,835	$ 192,057
Restricted cash	89,121	71,484
	$ 331,956	$ 263,541

4. Short term investment:

The management body holds a $540,000 guaranteed investment certificate at Alberta Treasury Branch which mature in April and May 2020 and have interest rates between 2.37% and 2.46%.

5. Account receivable:

	2019	2018 *(Restated, Note 14)*
Requisitions receivable	$ -	$ 15,581
Accrued interest receivable	8,670	6,827
GST receivable	15,197	16,122
Other	-	5,924
	$ 23,867	$ 44,454

6. Tangible capital assets:

	Cost	Accumulated Amortization	2019	2018
Land	$ 2,750	$ -	$ 2,750	$ 2,750
Buildings	301,637	252,096	49,541	55,045
Equipment	98,167	73,494	24,673	27,414
	$ 402,554	$ 325,590	$ 76,964	$ 85,209

7. Accounts payable and accrued liabilities:

	2019	2018 *(Restated, Note 14)*
Due to Bethany Nursing Home of Camrose, Alberta	$ 72,118	$ 9,434
Accrued expenses and prepaid rent	9,450	8,500
Trade payables	872	1,516
Wages and benefits remittances payable	30,115	38,797
	$ 112,555	$ 58,247

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 management body.

Bethany Nursing Home of Camrose, Alberta pays all expenditures on behalf of the lodges and is reimbursed monthly. As at December 31, 2019, the amount due to The Bethany Group, included in accounts payable and accrued liabilities, for expenditures incurred for the lodges amounted to $72,118 (2018 - $9,434).

During the year, the management body paid $69,756 (2018 - $87,996) for management fees, included in administrative management. 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. Net assets 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 2019, donations received less expenditures funded from reserves amounted to an increase of $17,310 in internally restricted net assets for the year.

10. 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 credit risks.

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.

Accounts receivable from one government agency (2018 – one government agency) in connection with trade receivables represents 63.7% (2018 – 41.5%) of total accounts receivable at December 31. The management body believes there is minimal risk associated with the collection of these amounts.

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 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.

11. Municipal requisitions:

		2019		2018
County of Flagstaff	$	227,580	$	227,894
Town of Killam		14,880		15,150
Town of Sedgewick		13,590		14,013
Town of Hardisty		15,570		15,656
Town of Daysland		12,810		11,707
Village of Forestburg		10,110		10,254
Village of Lougheed		2,820		2,647
Village of Alliance		1,380		1,403
Village of Heisler		1,260		1,277
	$	300,000	$	300,001

12. Comparative figures:

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

13. Subsequent events:

Subsequent to year end, the COVID-19 pandemic is causing significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The management body continues to monitor and assess the impact COVID-19 will have on its activities. The extent of the effect of the COVID-19 pandemic on the management body is uncertain.

14. Restatement:

Prior year financial statements were restated due to the reclassification of net outstanding receivable from the Bethany Group which increased the net receivables from the Bethany Group reported in the prior year. This change resulted in a decrease to cash and cash equivalents of $5,619, an increase to accounts receivable of $15,053 and an increase in accounts payable of $9,434.