

**FLAGSTAFF REGIONAL HOUSING GROUP  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

## 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, 2021, and the statements of operations, changes in net assets and cash flow 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, 2021, 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 29, 2022

*MNP LLP*

Chartered Professional Accountants

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2021

	2021	2020
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 650,243	\$ 862,684
Accounts receivable (Note 4)	18,719	65,036
Prepaid expense	1,630	1,676
	670,592	929,396
<b>Tangible capital assets</b> (Note 5)	106,738	118,292
	\$ 777,330	\$ 1,047,688
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 61,432	\$ 141,810
Deferred revenue (Note 8)	1,226	58,295
	62,658	200,105
<b>Net assets</b>		
Unrestricted	537,691	659,048
Internally restricted (Note 9)	70,243	70,243
Invested in capital assets	106,738	118,292
	714,672	847,583
	\$ 777,330	\$ 1,047,688

Approval on behalf of the board:

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Director

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Director

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

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2021

	2021	2020
<b>ASSETS</b>		
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	714,672	847,583
	\$ 777,330	\$ 1,047,688

Approval on behalf of the board:

e-Signed by Dianne Roth  
2022-03-31 14:10:00:00 MDT

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, 2021

	2021			2020	
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 9)	Net Assets Invested in Capital	Total	Total
<b>Beginning balance</b>	\$ 659,048	\$ 70,243	\$ 118,292	\$ 847,583	\$ 843,537
Excess (deficiency) of revenues over expenses	(132,911)	-	-	(132,911)	4,046
Amortization of tangible assets	11,554	-	(11,554)	-	-
<b>Ending balance</b>	<u>\$ 537,691</u>	<u>\$ 70,243</u>	<u>\$ 106,738</u>	<u>\$ 714,672</u>	<u>\$ 847,583</u>

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

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2021

	<b>2021 Budget</b> <i>(unaudited)</i>	<b>2021</b>	<b>2020</b>
<b>Revenue</b>			
Accommodation	\$ 403,000	\$ 290,378	\$ 395,758
Grants (Note 11)	14,378	70,900	76,532
Donations	-	59,084	15,000
Recoveries	35,100	35,015	41,799
Interest and miscellaneous	11,040	5,844	22,752
	<u>463,518</u>	<u>461,221</u>	<u>551,841</u>
<b>Expenses</b>			
Wages and benefits	475,000	469,261	501,057
Utilities	73,000	76,321	73,878
Administration management	61,500	61,500	61,500
Resident life enhancement	-	57,990	15,000
Food and kitchen supplies	70,100	51,708	67,984
Building and ground maintenance	12,600	19,679	17,990
General administration	13,748	13,742	13,778
Professional fees	9,475	10,055	9,469
Telephone	7,000	7,070	11,423
Laundry and linen supplies	5,400	6,340	9,415
Small equipment	1,000	3,956	280
Equipment repairs and maintenance	1,000	2,285	756
Insurance	1,000	1,160	984
Conference and travel	1,040	1,043	1,782
Covid 19	4,000	468	5,077
	<u>735,863</u>	<u>782,578</u>	<u>790,374</u>
<b>Deficiency of revenue over expenses before municipal requisitions and other items</b>	(272,345)	(321,357)	(238,533)
Municipal requisitions (Note 12)	<u>200,000</u>	<u>200,000</u>	<u>250,000</u>
<b>Excess (deficiency) of revenue over expenses before amortization</b>	(72,345)	(121,357)	11,467
Amortization of tangible capital assets	<u>(8,246)</u>	<u>(11,554)</u>	<u>(7,421)</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u>(80,591)</u>	<u>(132,911)</u>	<u>4,046</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, 2021

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ (132,911)	\$ 4,046
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	11,554	7,421
	(121,357)	11,467
 <b>Change in non-cash working capital items</b>		
Accounts receivable	46,317	(41,169)
Prepaid expense	46	2,581
Deferred revenue	(57,069)	37,345
Accounts payable and accrued liabilities	(80,378)	29,254
Tangible capital assets included in accounts payable	48,750	(48,750)
	(163,691)	(9,272)
 <b>Cash flows from investing activity</b>		
Purchase of tangible capital assets	-	(48,750)
Tangible capital assets included in accounts payable	(48,750)	48,750
Proceeds on sale of investment	-	540,000
	(48,750)	540,000
 <b>Increase (decrease) in cash and cash equivalents</b>	(212,441)	530,728
 <b>Cash and cash equivalents, beginning of year</b>	862,684	331,956
 <b>Cash and cash equivalents, end of year</b>	\$ 650,243	\$ 862,684

**FLAGSTAFF REGIONAL HOUSING GROUP**  
**STATEMENT OF CASH FLOW**  
For the year ended December 31, 2021

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ (132,911)	\$ 4,046
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	11,554	7,421
	(121,357)	11,467
<b>Change in non-cash working capital items</b>		
Accounts receivable	46,317	(41,169)
Prepaid expense	46	2,581
Deferred revenue	(57,069)	37,345
Accounts payable and accrued liabilities	(80,378)	29,254
Tanigble capital assets included in accounts payable	48,750	(48,750)
	(42,334)	(20,739)
<b>Cash flows from investing activity</b>		
Purchase of tangible capital assets	-	(48,750)
Tanigble capital assets included in accounts payable	(48,750)	48,750
Proceeds on sale of investment	-	540,000
	(48,750)	540,000
<b>Increase (decrease) in cash and cash equivalents</b>	(212,441)	530,728
<b>Cash and cash equivalents, beginning of year</b>	862,684	331,956
<b>Cash and cash equivalents, end of year</b>	\$ 650,243	\$ 862,684

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, 2021

## 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.

### *Impact on operations of COVID-19 (coronavirus)*

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on business through the restrictions put in place by the Canadian, provincial, and municipal governments regarding travel, business operations and isolation/quarantine orders.

The management body's operations were impacted by COVID-19 due to matters such as reduced occupancy levels and certain operational changes that were required due to COVID restrictions.

The impact of COVID-19 has been partially offset by available government programs for which the management body was eligible. The management body has received funding for occupancy losses from July 2020 to December 2021. Further details of these programs are described in Note 11 Grants. Eligibility requirements under these programs have evolved since first announced and can be subject to changes in legislation or administrative positions, further, there is significant uncertainty of the period of time into the future that the Government will continue these programs.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the management body as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand in the industry, all of which may negatively impact the management body's business and financial condition.

## 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:

## 2. Significant accounting policies (*continued*)

### (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 amortized in the month following acquisition, utilizing the declining balance line 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.

## 2. Significant accounting policies (*continued*)

### (c) Tangible capital assets (*continued*)

The management body performs impairment testing on tangible capital assets whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable.

### (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>2021</u>	<u>2020</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks, net of outstanding cheques and deposits	\$ 518,968	\$ 719,235
Restricted cash	131,275	143,449
	<u>\$ 650,243</u>	<u>\$ 862,684</u>

**4. Account receivable**

	<u>2021</u>	<u>2020</u>
Alberta Social Housing Corporation	\$ 14,354	\$ 57,211
GST receivable	4,365	7,302
Other receivables	-	523
	<u>\$ 18,719</u>	<u>\$ 65,036</u>

**5. Tangible capital assets**

	<u>2021</u>			<u>2020</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 2,750	\$ -	\$ 2,750	\$ 2,750
Buildings	301,637	261,508	40,129	44,587
Equipment	146,916	83,057	63,859	70,955
	<u>\$ 451,303</u>	<u>\$ 344,565</u>	<u>\$ 106,738</u>	<u>\$ 118,292</u>

**6. Accounts payable and accrued liabilities**

	<u>2021</u>	<u>2020</u>
Accrued expenses and prepaid rent	\$ 24,029	\$ 16,356
Due to Bethany Nursing Home of Camrose, Alberta	23,497	53,352
Wages and benefits remittances payable	5,226	7,823
Trade payables	8,680	64,279
	<u>\$ 61,432</u>	<u>\$ 141,810</u>

**7. 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, 2021, the amount due to the CAO for expenditures incurred for the lodges amounted to \$23,497 (2020 - \$53,352).

**7. Related party transactions (continued)**

The management body paid \$61,500 (2020 - \$61,500) to the CAO 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.

**8. Deferred revenue**

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 58,295	\$ 20,951
Donations received during the year	100	52,344
Funds used	(57,169)	(15,000)
Balance, end of year	<u>\$ 1,226</u>	<u>\$ 58,295</u>

**9. 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 the current period, donations received and interest income earned less expenditures funded from reserves did not result in any change in internally restricted net assets for the year (2020 – increase of \$2,073).

**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 other price risks.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Management Body is exposed to credit risk from residents and funders. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information. Credit risk related to residents is deemed to be low as the balances are distributed amongst a wide group of individuals and is not concentrated.

Accounts receivable from two government agencies (2020 - two) in connection with trade receivables represents 100% (2020 – 99%) 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.

**10. Financial instruments (continued)**

Liquidity risk

Liquidity risk is the risk 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. Grants**

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

	<u>2021</u>	<u>2020</u>
Covid occupancy loss	\$ 56,008	\$ 58,265
Lodge Assistance Program	14,486	14,484
Covid expenses	406	3,783
	<u>\$ 70,900</u>	<u>\$ 76,532</u>

**12. Municipal requisitions**

	<u>2021</u>	<u>2020</u>
County of Flagstaff	\$ 152,900	\$ 190,100
Town of Hardisty	10,280	13,350
Town of Killam	10,000	12,600
Town of Sedgewick	9,260	11,625
Town of Daysland	7,200	9,300
Village of Forestburg	6,820	8,600
Village of Lougheed	1,860	2,350
Village of Heisler	840	1,050
Village of Alliance	840	1,025
	<u>\$ 200,000</u>	<u>\$ 250,000</u>

**12. Comparative figures**

Certain comparative amounts for the prior year have been adjusted for rounding.