FRESH START RECOVERY CENTRE

Financial Statements

Year Ended December 31, 2021

FRESH START RECOVERY CENTRE
Index to Financial Statements
Year Ended December 31, 2021

C & E LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Derek M. Cremers Professional Corporation
J. Scott Chomistek Professional Corporation
Hans Peter Cremers Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Directors of Fresh Start Recovery Centre

Qualified Opinion

We have audited the financial statements of Fresh Start Recovery Centre (the Centre), which comprise the statement of financial position as at December 31, 2021, and the statements of revenues and expenditures, 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, 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 Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues 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 fundraising and donations revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2021, current assets and net assets as at December 31, 2021. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation of scope.

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.

(continues)

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.

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.

Calgary, Alberta
May 3, 2022

C&E LLP Chartered Professional Accountants

FRESH START RECOVERY CENTRE

Statement of Financial Position

December 31, 2021

		2021		2020
ASSETS				
CURRENT				
Cash	$	**2,280,839**	$	1,097,105
Restricted cash		**685,935**		405,336
Accounts receivable		**290,166**		349,784
Holdback receivable *(Note 3)*		**200,000**		-
Goods and services tax recoverable		**18,624**		10,140
Prepaid expenses		**1,150**		44,909
		3,476,714		1,907,274
PROPERTY AND EQUIPMENT *(Note 4)*		**10,576,876**		10,905,149
	$	**14,053,590**	$	12,812,423
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	$	**169,838**	$	83,550
Security deposits		**33,325**		28,765
Current portion of long term debt *(Note 5)*		**233,990**		-
Deferred revenue *(Note 6)*		**151,905**		-
		589,058		112,315
NET ASSETS				
Operating Fund		**2,465,682**		1,400,951
Property and Equipment Fund		**10,998,850**		11,299,157
		13,464,532		12,700,108
	$	**14,053,590**	$	12,812,423

ON BEHALF OF THE BOARD

_______________ *Director Dale Burstall, Treasurer*

_______________ *Director Craig Borgland, Board Chair*

See notes to financial statements

FRESH START RECOVERY CENTRE

Statement of Revenues and Expenditures

Year Ended December 31, 2021

	2021	2020
OPERATING FUND REVENUES		
Alberta Health Services - Addiction and Mental Health funding *(Note 7)*	**$ 2,385,268**	$ 1,475,586
Accommodation	**1,485,075**	1,238,882
Fundraising and donations	**1,189,180**	1,239,840
Provincial funding	**491,932**	-
Interest	**9,459**	1,884
Government grants	**2,700**	22,900
Restaurant and food truck sales	**-**	22,158
COVID-19 government assistance *(Note 9)*	**-**	67,575
	5,563,614	4,068,825
OPERATING FUND EXPENDITURES		
Salaries and wages	**3,813,735**	2,209,065
Program supplies	**421,166**	276,020
Repairs and maintenance	**337,641**	127,822
Fundraising expenses	**249,391**	55,190
Office and administrative	**234,882**	125,274
Utilities, phone and internet	**218,938**	187,354
Travel and vehicle	**108,971**	96,222
Insurance	**71,836**	45,052
Professional fees	**48,299**	10,838
Consultant fees	**28,766**	134,145
Advertising and promotion	**23,077**	-
Interest and bank charges	**10,814**	11,348
	5,567,516	3,278,330
OPERATING FUND (DEFICIENCY) EXCESS	**(3,902)**	790,495

(continues)

FRESH START RECOVERY CENTRE
Statement of Revenues and Expenditures *(continued)*
Year Ended December 31, 2021

	2021	2020
PROPERTY AND EQUIPMENT FUND REVENUES		
Gain on disposal of property and equipment	**25,309**	1,438
Interest	**-**	2,817
Other property and equipment funding	**-**	275,000
	25,309	279,255
PROPERTY AND EQUIPMENT FUND EXPENDITURES		
Amortization of property and equipment	**164,508**	171,099
Cafe write-down	**-**	125,000
	164,508	296,099
PROPERTY AND EQUIPMENT FUND DEFICIENCY	**(139,199)**	(16,844)
TOTAL (DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	**$ (143,101)**	$ 773,651

FRESH START RECOVERY CENTRE
Statement of Changes in Net Assets
Year Ended December 31, 2021

	Operating Fund	Property and Equipment Fund	**2021**	2020
NET ASSETS - BEGINNING OF YEAR	$ 1,400,951	$ 11,299,157	**$ 12,700,108**	$ 11,926,457
(Deficiency) excess of revenues over expenditures	(3,902)	(139,199)	**(143,101)**	773,651
Interfund transfer	161,108	(161,108)	**-**	-
Net assets from Lethbridge & Community Addictions Treatment Society (LCATS) *(Note 3)*	907,525	-	**907,525**	-
NET ASSETS - END OF YEAR	$ 2,465,682	$ 10,998,850	**$ 13,464,532**	$ 12,700,108

FRESH START RECOVERY CENTRE
Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Total (deficiency) excess of revenues over expenditures	**$ (143,101)**	$ 773,651
Items not affecting cash:		
Amortization of property and equipment	**164,508**	171,099
Cafe write-down	**-**	125,000
Gain on disposal of property and equipment	**(25,309)**	(1,438)
	(3,902)	1,068,312
Changes in non-cash working capital:		
Restricted cash	**(280,599)**	197,224
Accounts receivable	**59,618**	(86,476)
Accounts payable	**86,288**	(9,250)
Prepaid expenses	**43,759**	(37,605)
Goods and services tax recoverable	**(8,484)**	3,310
Deferred revenue *(Note 6)*	**151,905**	-
Security deposits	**4,560**	18,640
	57,047	85,843
Cash flow from operating activities	**53,145**	1,154,155
INVESTING ACTIVITIES		
Purchase of property and equipment	**(137,605)**	(11,914)
Proceeds on disposal of property and equipment	**326,679**	27,089
Cash flow from investing activities	**189,074**	15,175
FINANCING ACTIVITIES		
Repayment of bank indebtedness	**-**	(554,825)
Proceeds from merger with LCATS *(Note 3)*	**707,525**	-
Proceeds from long term financing *(Note 5)*	**240,000**	-
Repayment of long term debt *(Note 5)*	**(6,010)**	-
Cash flow from (used by) financing activities	**941,515**	(554,825)
INCREASE IN CASH FLOW	**1,183,734**	614,505
Cash - beginning of year	**1,097,105**	482,600
CASH - END OF YEAR	**$ 2,280,839**	$ 1,097,105

1. DESCRIPTION OF OPERATIONS

Fresh Start Recovery Centre (the Centre) is a not-for-profit organization providing rehabilitation services to the community. The Centre is registered as a charity and is incorporated under the Societies Act of the Province of Alberta. The Centre is exempt from income taxes pursuant to section 149(1)(l) of the Income Tax Act; accordingly, no provision for income taxes has been provided for in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund accounting

Fresh Start Recovery Centre follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Centre's program delivery and administrative activities. This fund reports unrestricted resources and restricted contributions intended only for operations.

The Property and Equipment Fund reports the assets, liabilities, revenues and expenditures related to the Centre's capital assets and building expansion campaigns.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Revenue recognition

Restricted contributions intended only for general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the Property and Equipment Fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on building campaign resources is recognized as revenue of the Property and Equipment Fund. Other investment income is recognized as revenue of the Operating Fund when earned.

The Centre recognizes earned revenues in the Operating Fund when all the following conditions are met:

- services are provided to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated services and materials

The value of donated materials and services is recorded only when the value of such contributions can be reasonably determined, and only when the materials and services would normally have been purchased by the Centre in the course of operations.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Assets are amortized over their estimated useful lives at the following rates and methods:

Buildings	1%	declining balance method
Leasehold improvements	5 years	straight-line method
Motor vehicles	30%	declining balance method
Computer equipment	30%	declining balance method
Furniture and equipment	20%	declining balance method

The Centre regularly reviews its property and equipment to eliminate obsolete items, and for conditions that indicate impairment. Capital additions over $2,500 are capitalized.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued, with the exception of related party transactions that are measured at the carrying amount or exchange amount, as appropriate. 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. Transaction costs are recognized as an expense in the period incurred for all financial instruments subsequently measured at fair value. Financial instruments that are subsequently measured at amortized cost are adjusted by the transaction costs and financing fees that are directly attributable to their organization, issuance or assumption.

All financial assets and financial liabilities are measured at amortized cost, unless otherwise noted.

Measurement uncertainty

When preparing financial statements according to ASNPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Centre may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of property and equipment, asset impairments, and legal contingencies.

3. LETHBRIDGE & COMMUNITY ADDICTIONS TREATMENT SOCIETY MERGER

A merger agreement between Lethbridge & Community Addictions Treatment Society (LCATS) and the Centre was completed on December 31, 2020. As a result of this agreement, all right, title and interest of LCATS were transferred to the Centre. This included $707,525 in cash and cash equivalents and a $200,000 cash holdback receivable for settlement costs. The holdback will be delivered to the Centre once the settlement has been closed.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2021 Net book value**	2020 Net book value
Land	$ 1,300,000	$ -	**$ 1,300,000**	$ 1,300,000
Buildings	9,795,644	843,982	**8,951,662**	9,017,441
Leasehold improvements	85,303	8,530	**76,773**	262,122
Furniture and equipment	960,689	764,658	**196,031**	242,962
Motor vehicles	112,167	82,578	**29,589**	48,260
Computer equipment	183,122	160,301	**22,821**	34,364
	$ 12,436,925	$ 1,860,049	**$ 10,576,876**	$ 10,905,149

5. LONG TERM DEBT

	2021
Calgary Foundation loan bearing interest at 3.5% per annum, repayable in monthly blended payments of $3,700. The loan matures on November 30, 2026 and is secured by specific property located at 411 41 Avenue SW.	**$ 233,990**
Amounts payable with one year	**(233,990)**
	$ -

Calgary Foundation loan was taken to fund a solar panel project to be started in 2022. The project was abandoned subsequent to year-end due to a delay in federal government grant funding.

6. DEFERRED REVENUE

Deferred contributions represent unspent resources subject to externally imposed restrictions requiring that funds be used for specific purposes, and comprise the following:

	2021
Balance, beginning of year	**$ -**
Contributions received in the year	**399,900**
Amounts recognized as revenue	**(247,995)**
Balance, end of year	**$ 151,905**

7. ALBERTA HEALTH SERVICES ADDICTION AND MENTAL HEALTH FUNDING

In 2020, the Centre entered into a three-year funding agreement with Alberta Health Services (AHS) for Residential Addiction Treatment Activities (RATA). The agreement provides for fixed funding for up to 30 patients at any given time, and use of the funds is restricted for the purpose of providing residential addiction treatment services to support clients and community in addressing substance abuse and process addiction related issues. The Centre is required to meet certain interim reporting requirements in order to continue to receive this funding for the duration of the contract.

In 2021, the Centre merged with LCATS which brought on a pre-existing two-year contract with AHS. AHS provides for fixed funding for up to 23 patients at any given time.

RATA funding received by the Centre in the current fiscal year totaled $2,385,268 (2020 - $1,475,586), which is included as revenue recognized in the Operating Fund. The contract for the 2021 and 2020 funding cycle ends in April 2023 and March 2022 respectively. AHS has the option to further extend the funding agreement for up to three additional years.

8. TRANSFER OF PROPERTY AND EQUIPMENT TO THE PROVINCE OF ALBERTA

In 2017 the Government of Alberta moved from a grant to an investment funding strategy, and as a result ownership of the Centre's two residential facilities was transferred in 2019. The Centre has agreed to operate the facilities under an initial 25 year lease agreement for consideration of $1 per year. The Centre will have the option to renew the lease for up to two consecutive renewal terms of ten years each and remains responsible for all associated operational activities.

9. COVID-19

The COVID-19 pandemic has severely impacted economies around the world, including those in which the Centre operates. Measures taken to contain the spread of the virus, including travel bans, social distancing mandates, and required closures of non-essential services have created significant disruptions in the operations of many businesses and not-for-profit organizations.

The Centre's 2021 fiscal year was significantly impacted by the pandemic, resulting in its eligibility for support through government subsidy programs.

Management expects that operations will continue to be affected while COVID-19 remains a significant public health risk. Because the total duration and economic severity of the pandemic remains unclear as at the date of the auditor's report, it is not possible to reliably estimate the impact on the financial position and operations of the Centre's future periods.

10. FINANCIAL INSTRUMENTS

The Centre is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Centre's risk exposure and concentration as of December 31, 2021.

(continues)

10. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Centre is exposed to credit risk from customers. In order to reduce its credit risk, the Centre reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Centre has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, and accounts payable.

Unless otherwise noted, it is management’s opinion that the Centre is not exposed to other significant risks arising from these financial instruments.

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

12. RESTAURANT AND FOOD TRUCK OPERATIONS

The financial statement figures reported below are attributable to the Centre's Memorial Cafe and Food Truck operations. These amounts are also reported in the financial statements on an aggregated basis with the other financial results of the Centre's Operating Fund.

	2021	2020
REVENUES		
Government grants	**$ 2,700**	$ 22,900
Interest income	**2,011**	-
Restaurant and food truck sales	**-**	22,158
	4,711	45,058
EXPENDITURES		
Salaries and wages	**107**	5,985
Consultant fees	**-**	134,145
Travel and vehicle	**-**	19,873
Supplies	**-**	26,772
Professional fees	**-**	1,575
Office and administrative	**-**	724
Utilities, phone and internet	**-**	182
	107	189,256
SURPLUS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$ 4,604**	$ (144,198)
OPENING CASH BALANCE	**$ 293,177**	$ 256,940
Surplus (deficiency) of revenues over expenditures	**4,604**	(144,198)
Changes in non-cash working capital		
Accounts receivable	**-**	50,000
Accounts payable	**-**	(1,659)
GST payable	**-**	1,710
Proceeds from property and equipment	**326,679**	25,089
Cash transfers from (to) operating fund	**(33,798)**	105,295
ENDING CASH BALANCE	**$ 590,662**	$ 293,177