FRESH START RECOVERY CENTRE

Financial Statements

Year Ended March 31, 2025

FRESH START RECOVERY CENTRE
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Year Ended March 31, 2025

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

Opinion

We have audited the financial statements of Fresh Start Recovery Centre (the Centre), which comprise the statement of financial position as at March 31, 2025, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 Centre in accordance with 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 ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related 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.

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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
July 14, 2025

C&E LLP Chartered Professional Accountants

FRESH START RECOVERY CENTRE
Statement of Financial Position
March 31, 2025

	2025	2024
ASSETS		
CURRENT		
Cash	**$ 2,518,556**	$ 1,716,952
Restricted cash	**3,417,916**	2,526,797
Accounts receivable	**259,642**	590,842
Interest receivable	**-**	135,021
Goods and services tax recoverable	**47,500**	442,282
Prepaid expenses	**178,570**	73,951
	6,422,184	5,485,845
DEFERRED FINANCE CHARGES ***(Note 3)***	**165,848**	-
PROPERTY AND EQUIPMENT ***(Note 4)***	**26,974,750**	26,369,452
	$ 33,562,782	$ 31,855,297
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	**$ 341,437**	$ 1,104,087
Security deposits	**85,215**	58,435
Current portion of mortgage payable ***(Note 8)***	**141,438**	30,317
Deferred revenue ***(Note 5)***	**3,352,674**	2,170,507
	3,920,764	3,363,346
DEFERRED CAPITAL CONTRIBUTIONS ***(Note 6)***	**488,825**	493,763
LOAN PAYABLE ***(Note 7)***	**-**	150,000
MORTGAGE PAYABLE ***(Note 8)***	**9,021,607**	7,819,683
	13,431,196	11,826,792
NET ASSETS		
Operating fund	**1,175,534**	1,608,288
Property and equipment fund	**18,956,052**	18,420,217
	20,131,586	20,028,505
	$ 33,562,782	$ 31,855,297

ON BEHALF OF THE BOARD

___________________________ ***Director***

___________________________ ***Director***

See notes to financial statements

FRESH START RECOVERY CENTRE
Statement of Revenues and Expenditures
Year Ended March 31, 2025

		2025 *(12 months)*		2024 *(3 months)*
OPERATING FUND REVENUES				
Recovery Alberta (AHS) - Addiction and Mental Health funding *(Note 10)*	**$**	**2,902,386**	$	697,318
Accommodation		**2,756,924**		625,853
Government of Alberta Grant *(Note 9)*		**2,162,106**		902,587
Donations and other		**1,282,896**		252,179
Fundraising		**494,809**		19,269
Interest		**202,693**		168,051
		9,801,814		2,665,257
OPERATING FUND EXPENDITURES				
Salaries and wages		**5,768,106**		1,424,521
Program supplies		**986,947**		230,060
Utilities, phone and internet		**418,316**		99,956
Office, administrative, and other		**634,630**		151,452
Interest on mortgage		**398,432**		156,011
Fundraising expenses		**322,074**		35,627
Repairs and maintenance		**306,285**		67,578
Insurance		**199,455**		24,007
Travel and vehicle		**129,736**		23,937
Interest and bank charges		**63,821**		2,530
Professional fees		**59,471**		1,691
		9,287,273		2,217,370
OPERATING FUND EXCESS		**514,541**		447,887
PROPERTY AND EQUIPMENT FUND REVENUES				
Revenue on deferred capital contributions		**4,938**		1,238
PROPERTY AND EQUIPMENT FUND EXPENDITURES				
Amortization of property and equipment		**416,398**		108,164
TOTAL EXCESS OF REVENUES OVER EXPENDITURES	**$**	**103,081**	$	340,961

FRESH START RECOVERY CENTRE
Statement of Changes in Net Assets
Year Ended March 31, 2025

	Operating Fund	Property and Equipment Fund	**2025**	2024
NET ASSETS - BEGINNING OF YEAR	$ 1,608,288	$ 18,420,217	**$ 20,028,505**	$ 19,687,544
Excess (deficiency) of revenues over expenditures	514,541	(411,460)	**103,081**	340,961
Interfund transfers	(947,295)	947,295	**-**	-
NET ASSETS - END OF YEAR	$ 1,175,534	$ 18,956,052	**$ 20,131,586**	$ 20,028,505

FRESH START RECOVERY CENTRE

Statement of Cash Flows

Year Ended March 31, 2025

	2025 *(12 months)*	2024 *(3 months)*
OPERATING ACTIVITIES		
Excess of revenues over expenditures	**$ 103,081**	$ 340,961
Item not affecting cash:		
Amortization of property and equipment	**416,398**	108,164
	519,479	449,125
Changes in non-cash working capital:		
Restricted cash	**(891,119)**	233,015
Accounts receivable	**331,200**	260,941
Interest receivable	**135,021**	(135,021)
Accounts Payable	**(764,650)**	463,922
Prepaid expenses	**(104,619)**	(19,090)
Deferred Finance Charges	**(165,848)**	-
Goods and services tax payable	**394,782**	(385,779)
Deferred revenue	**1,182,167**	(574,533)
Deferred capital contributions	**(4,938)**	(1,238)
Security deposits	**28,780**	15,150
	140,776	(142,633)
Cash flow from operating activities	**660,255**	306,492
INVESTING ACTIVITY		
Purchase of property and equipment	**(1,021,696)**	(395,998)
FINANCING ACTIVITIES		
Repayment of loan	**(150,000)**	-
Proceeds from long term financing	**9,217,519**	-
Repayment of long term debt	**(7,904,474)**	-
Cash flow from financing activities	**1,163,045**	-
INCREASE (DECREASE) IN CASH FLOW	**801,604**	(89,506)
Cash - beginning of year	**1,716,952**	1,806,458
CASH - END OF YEAR	**$ 2,518,556**	$ 1,716,952

1. DESCRIPTION OF OPERATIONS

Fresh Start Recovery Centre (the Centre) is a not-for-profit organization providing services to house, treat, and support those affected by addiction. 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.

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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.

Capital contributions

Contributions for acquiring fixed assets are recorded as deferred capital contributions and are amortized on the same basis and same rates as other related fixed assets. Revenue on deferred capital contributions is recognized at the same rate as amortization. Capital contributions for acquiring undepreciable fixed assets are recognized in net assets as the eligible expenditures are incurred as per ASNPO.

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.

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

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. DEFERRED FINANCE CHARGES

Deferred finance charges relates to expenses paid for a loan secured by related property. These charges are being recognized on the same basis as the mortgage term.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2025 Net book value**	2024 Net book value
Land	$ 9,350,233	$ -	**$ 9,350,233**	$ 8,372,500
Buildings	18,104,596	1,275,063	**16,829,533**	16,999,528
Leasehold improvements	236,896	123,866	**113,030**	151,829
Furniture and equipment	1,533,156	1,040,721	**492,435**	574,861
Motor vehicles	163,113	125,678	**37,435**	53,471
Computer equipment	445,373	293,289	**152,084**	217,263
	$ 29,833,367	$ 2,858,617	**$ 26,974,750**	$ 26,369,452

5. DEFERRED REVENUE

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

	2025	2024
Balance, beginning of year	**$ 2,170,507**	$ 2,745,040
Contributions received in the year	**4,311,352**	77,376
Amounts recognized as revenue	**(3,129,185)**	(651,909)
Balance, end of year	**$ 3,352,674**	$ 2,170,507

6. DEFERRED CAPITAL CONTRIBUTIONS

Assistance received for the construction of new building are recorded as deferred capital contributions and amortized to income at the same rate as that building is being amortized.

	2025	2024
Balance, beginning of year	**$ 493,763**	$ 495,000
Amounts recognized as revenue	**(4,938)**	(1,237)
Balance, end of year	**$ 488,825**	$ 493,763

7. LOAN PAYABLE

The non-interest bearing loan of $150,000 with no set repayment terms obtained from a director of the Centre who by virtue of his position has the ability to exert influence was repaid in full during the year.

8. MORTGAGE PAYABLE

	2025	2024
Servus Credit Union loan bearing interest at 3.83% per annum, repayable in monthly blended payments of $32,441. The loan matures on September 1, 2029 and is secured by related property which has a carrying value of $15,231,682.	**$ 8,304,798**	$ -
Loan payable to related party bearing interest at 5.25% per annum, repayable in monthly blended payments of $9,388. The loan matures on December 20, 2029 and is secured by related property which has a carrying value of $896,875.	**858,247**	-
Servus Credit Union mortgage bearing interest at 6.2% per annum. This mortgage was repaid in full.	**-**	7,850,000
	9,163,045	7,850,000
Amounts payable within one year	**(141,438)**	(30,317)
	$ 9,021,607	$ 7,819,683

Principal repayment terms are approximately:

2026	$ 141,438
2027	147,978
2028	154,828
2029	162,004
2030	169,520
Thereafter	8,387,277
	$ 9,163,045

9. GOVERNMENT OF ALBERTA GRANT FOR LETHBRIDGE RECOVERY COMMUNITY OPERATIONS

The Centre received a grant from the Government of Alberta of $3,300,289 (2024 - $4,766,595), for a total funding of $8,066,884 as at March 31, 2025. This grant is intended to provide funding for the Lethbridge Recovery Community Operations.

As at the end of fiscal year 2025, the Centre incurred operating and capital expenditures of $2,162,106 (2024 - $902,587). The unspent amounts are included in deferred revenue (Note 5). The agreement is for a three-year term ending on January 31, 2026 with total funding of $10,907,921.

Government of Alberta grant revenue of $2,162,106 includes $299,481 allocated to an administration and reporting grant for the Centre.

10. RECOVERY ALBERTA (AHS) ADDICTION AND MENTAL HEALTH FUNDING

In 2020, the Centre entered into a three-year funding agreement with Recovery Alberta (AHS) for Residential Addiction Treatment Activities (RATA) which was extended until June 30, 2025. 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 the 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 Lethbridge & Community Addictions Treatment Society (LCATS) which brought on a pre-existing two-year contract with Recovery Alberta (AHS). This agreement was extended by Recovery Alberta (AHS) for a period of three years ending on March 31, 2026. 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 $2,902,386 (Three months period ending on March 31, 2024 - $697,318), which is included as revenue recognized in the Operating Fund. The contract for the 2024 and 2025 funding cycle ends in March 2026. Recovery Alberta (AHS) has the option to further extend the funding agreement for up to three additional years.

11. 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 properties was transferred in 2019. The Centre has agreed to operate the properties 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.

12. 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 March 31, 2025.

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. 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.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Centre manages exposure through its normal operating and financing activities. The Centre is exposed to interest rate risk primarily through its bank indebtedness.

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

13. COMPARATIVE FIGURES

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