

**SIMON HOUSE  
RESIDENCE  
SOCIETY**

**YEAR ENDED  
DECEMBER 31, 2019**

April 12, 2020

Simon House Residence Society  
5819 Bowness Road NW  
Calgary, AB T3B 0C5

**Attention: Cathy Olson**

Dear Cathy:

The following enclosures represent year end documents for **Simon House Residence Society** (the "Society") as at December 31, 2019.

- Financial statements
- Trial balance and adjusting journal entries
- GST netfile confirmation
- Post-audit letter
- Management representation letter
- Engagement letter
- T3010 - Registered Charity Return

**Documents to Sign and Submit to CRA**

Please sign the T3010 - Registered Charity Return where indicated and return to Catalyst LLP office as soon as possible. The T3010 - Registered Charity Return will be sent to Charities Directorate, Canada Revenue Agency, on your behalf.

**Other Tax Returns and Filing Requirements**

The Federal income tax return has been prepared on the Society's behalf from the information made available to us. We have taken care in preparing this return to ensure that it is accurate. However, the responsibility for filing the "true, correct and complete" return on or before the due date rests under the law with the taxpayer, against whom any liability or penalty for failure to file the proper return will be assessed. It is, therefore, important for you to review this return with care to ensure that it is true, correct and complete.

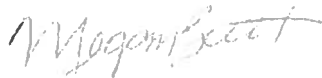
Certain conditions have been met for the year ended December 31, 2019, such that there is no requirement to file an Alberta Income Tax Return.

**Simon House Residence Society**  
**April 12, 2020**  
**Page 2**

---

If you require any further information with regard to the enclosed, please advise us.

Yours very truly,

A handwritten signature in cursive script that reads "Megan Brett".

**Megan Brett, CPA, CA**  
**Partner**  
**Catalyst LLP**  
**Assurance & Accounting**

MLB/smm

Encls.

**SIMON HOUSE RESIDENCE SOCIETY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**SIMON HOUSE RESIDENCE SOCIETY**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2019**

---

	<b>Page</b>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Financial Statements</b>	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes In Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8

---

## INDEPENDENT AUDITOR'S REPORT

---

**To the Directors of  
Simon House Residence Society**

*Qualified Opinion*

We have audited the financial statements of Simon House Residence Society (the "Society") , which comprise the statement of financial position as at December 31, 2019, and the statement of operations, statement of changes in net assets and statement of 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Simon House Residence Society 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 Qualified Opinion*

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues is limited to the amounts recorded in the records of the Simon House Residence Society. Therefore, we were unable to determine whether any adjustments might be necessary to revenue, deficiency of revenues over expenditures, and cash flows from operations for the years ended December 31, 2019, and current assets and net assets as at December 31, 2019.

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 Simon House Residence Society 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 qualified 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

---

**INDEPENDENT AUDITOR'S REPORT, continued**

---

Those charged with governance are responsible for overseeing the Society'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 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 Society'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 Society'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 Society 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.

---

**INDEPENDENT AUDITOR'S REPORT, continued**

---

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  
APRIL 1, 2020**

*Catalyst LLP*

**CHARTERED PROFESSIONAL  
ACCOUNTANTS**



**SIMON HOUSE RESIDENCE SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 149,480	\$ 122,352
Accounts receivable	44,655	49,402
Goods and services tax receivable	7,636	7,340
	201,771	179,094
<b>Capital assets (Note 4)</b>	2,517,917	2,534,292
	<b>\$ 2,719,688</b>	<b>\$ 2,713,386</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 68,975	\$ 37,572
Bank indebtedness (Note 5)	120,959	39,716
Deferred contributions (Note 6)	80,587	29,672
	270,521	106,960
<b>Net Assets</b>	2,517,917	2,534,293
Investment in capital assets	(68,750)	72,133
Unrestricted surplus (deficit)	2,449,167	2,606,426
	<b>\$ 2,719,688</b>	<b>\$ 2,713,386</b>

**Subsequent event (Note 8)**

Approved on behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**SIMON HOUSE RESIDENCE SOCIETY**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Program fees	\$ 802,365	\$ 929,820
Donations	174,445	191,433
Grants	189,045	93,388
Gaming and casino revenue	157,850	210,431
Fundraising	113,838	69,290
	<u>1,437,543</u>	<u>1,494,362</u>
<b>Expenditures</b>		
Salaries and related benefits	1,066,952	948,740
Food costs and supplies	143,438	161,386
Utilities	96,050	81,701
Office	55,600	49,152
Repairs and maintenance	41,051	35,032
Insurance	39,841	37,585
Amortization	37,371	39,370
Program expenditures	29,626	22,847
Supplies	16,288	23,001
Vehicle	13,959	21,479
Professional fees	13,000	13,548
Interest and bank charges	11,774	12,836
Fundraising expenditures	11,202	13,321
GST expenditures	7,636	7,339
Consulting fees	6,366	4,884
Bad debts	4,648	7,048
	<u>1,594,802</u>	<u>1,479,269</u>
<b>Excess (deficiency) of revenues over expenditures for the year</b>	<u>\$ (157,259)</u>	<u>\$ 15,093</u>

The accompanying notes are an integral part of the financial statements

**SIMON HOUSE RESIDENCE SOCIETY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Unrestricted Surplus/ (Deficit)	Investment in Capital Assets	2019	2018
<b>Net Assets - Beginning of year</b>	\$ 72,133	\$ 2,534,293	\$ 2,606,426	\$ 2,591,333
<b>Excess (deficiency) of revenues over expenditures</b>	(119,888)	(37,371)	(157,259)	15,093
<b>Net investment in capital assets</b>	(20,995)	20,995	-	-
<b>Net Assets - End of year</b>	\$ (68,750)	\$ 2,517,917	\$ 2,449,167	\$ 2,606,426

The accompanying notes are an integral part of the financial statements

**SIMON HOUSE RESIDENCE SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenues over expenditures for the year	\$ (157,259)	\$ 15,093
Adjustments for		
Amortization	<u>37,371</u>	<u>39,370</u>
	<u>(119,888)</u>	<u>54,463</u>
Change in non-cash working capital items		
Accounts receivable	4,747	(13,443)
Accounts payable and accrued liabilities	31,402	6,187
Goods and services tax	(296)	(1,413)
Deferred contributions	<u>50,915</u>	<u>(40,209)</u>
	<u>(33,120)</u>	<u>5,585</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	<u>(20,995)</u>	(50,808)
<b>Cash flows from financing activities</b>		
Advance of bank indebtedness	<u>81,243</u>	(751)
<b>Increase (decrease) in cash</b>	27,128	(45,974)
<b>Cash, beginning of year</b>	<u>122,352</u>	168,326
<b>Cash, end of year</b>	<u>\$ 149,480</u>	<u>\$ 122,352</u>

The accompanying notes are an integral part of the financial statements

**SIMON HOUSE RESIDENCE SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

---

**1. Nature of operations**

Simon House Residence Society (the "Society") is a non-profit organization providing residential treatment services for men in the community to help them achieve long-term recovery from addiction. Society is registered as a charity and is incorporated under the Societies Act of the Province of Alberta. The Society is exempt from income taxes pursuant to section 149(1)(l) of the Income Tax Act.

**2. Change in accounting policy**

In March 2018, the Accounting Standards Board (AcSB) introduced Section 4433 to increase consistency in the recognition, measurement, and disclosure of collections and capital assets by not-for-profit organizations. The new standard is effective for periods beginning on or after January 1, 2019.

These changes had no impact on the Organization's financial statements.

**3. Significant accounting policies**

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

**(a) Cash**

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at report date.

**(b) Capital assets**

Capital assets are recorded at cost less accumulated amortization. The Society provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Buildings	1%
Furniture and equipment	20%
Motor vehicles	30%
Computer equipment	30%

**SIMON HOUSE RESIDENCE SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

---

**3. Significant accounting policies, continued**

**(b) Capital assets, continued**

Capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

**(c) Revenue recognition**

The Society follows the deferral method of accounting for contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Externally restricted contributions include; casino income and grant income. Casino income is subject to external restrictions established by the Alberta Gaming and Liquor Commission.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collected is reasonably assured. Unrestricted contributions include; program fees, donations, bingo revenue, and fundraising.

**(d) Contributed materials and services**

The operations of the Society depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

**(e) Measurement uncertainty**

The preparation of financial statements in accordance with requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Significant areas requiring the use of estimates include: estimated useful lives of capital assets. Actual results may differ from management's best estimates as additional information becomes available in the future.

**SIMON HOUSE RESIDENCE SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

---

**3. Significant accounting policies, continued**

**(f) Financial instruments**

**(i) Measurement of financial instruments**

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost on a straight-line basis include cash and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include the bank indebtedness, accounts payable and accrued liabilities.

**(ii) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

**4. Capital assets**

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Buildings	\$ 1,707,360	\$ 179,493	\$ 1,527,867	\$ 1,543,300
Land	918,850	-	918,850	918,850
Furniture and equipment	305,716	257,692	48,024	39,969
Motor vehicles	66,759	47,967	18,792	26,846
Computer equipment	54,795	50,411	4,384	5,327
	<u>\$ 3,053,480</u>	<u>\$ 535,563</u>	<u>\$ 2,517,917</u>	<u>\$ 2,534,292</u>

The fair market value of the land and buildings at December 31, 2019 is \$3,194,000 per the City of Calgary property assessments.

**SIMON HOUSE RESIDENCE SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

---

**5. Bank indebtedness**

Bank indebtedness is a line of credit with a Canadian chartered bank. The facility is secured by the land and buildings and can be drawn up to \$400,000. The facility bears interest at the bank's prime lending rate plus 2%.

**6. Deferred contributions**

	Balance, Beginning	Contributions	Contributions Utilized	Balance, Ending
Casino Income	\$ 1,323	\$ 110,220	\$ (30,956)	\$ 80,587
AHS Grant	28,349	85,048	(113,397)	-
	<u>\$ 29,672</u>	<u>\$ 195,268</u>	<u>\$ (144,353)</u>	<u>\$ 80,587</u>

**7. Financial instruments**

The Society is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Society's exposure to these risks.

**(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risk relates to its accounts receivable.

**(b) Liquidity risk**

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued liabilities.

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its floating interest rate financial instruments. Floating-rate financial instruments subject the Society to a cash flow risk.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant other price risks arising from these financial statements.



**SIMON HOUSE RESIDENCE SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

---

**8. Subsequent event**

Subsequent to year end, the World Health Organization declared the COVID-19 a global pandemic. As a result, there has been a downturn in many economic factors that may have a negative effect on the financial instruments and cash flow of the Society. The impact of COVID-19 on the global economy and financial markets is evolving and while the potential impact on the Society is uncertain and cannot be quantified at this time, there is heightened risk related to future operations.