

CALGARY LEARNS ASSOCIATION

Financial Statements

December 31, 2017

CALGARY LEARNS ASSOCIATION
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For the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Calgary Learns Association:

We have audited the accompanying financial statements of Calgary Learns Association, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calgary Learns Association as at December 31, 2017 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.

Calgary, Alberta
March 26, 2018

Calvista LLP
Chartered Professional Accountants

CALGARY LEARNS ASSOCIATION
Statement of Financial Position
As at December 31, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents <i>(Note 3)</i>	\$ 79,971	\$ 175,629
Restricted cash and cash equivalents <i>(Note 4)</i>	829,615	713,723
Short term investments <i>(Note 3)</i>	145,329	11,586
Restricted short term investments <i>(Note 4)</i>	587,626	604,546
Accounts receivable	200	2,425
Goods and services tax recoverable	1,574	2,346
Prepaid expenses	8,566	8,539
	1,652,881	1,518,794
Property and equipment <i>(Note 5)</i>	2,646	6,956
	\$ 1,655,527	\$ 1,525,750
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	\$ 23,095	\$ 20,550
Current portion of lease inducement <i>(Note 7)</i>	2,646	5,630
Program commitments <i>(Note 9)</i>	566,762	291,006
	592,503	317,186
Lease inducement <i>(Note 7)</i>	-	2,646
Deferred contributions related to operations <i>(Note 6)</i>	850,480	1,027,263
	1,442,983	1,347,095
Net Assets		
Invested in property and equipment	2,646	6,956
Internally restricted <i>(Note 8)</i>	18,395	18,395
Unrestricted	191,503	153,304
	212,544	178,655
	\$ 1,655,527	\$ 1,525,750

ON BEHALF OF THE BOARD

Director

Director

CALGARY LEARNS ASSOCIATION
Statement of Operations
For the Year Ended December 31, 2017

	2017	2016
Revenue		
Alberta Advanced Education Grants	\$ 2,451,018	\$ 1,756,295
Other grants	-	42,550
Recovery of distributed funding in prior years	332	6,274
Casino revenue	38,488	40,665
Donation	6,275	6,262
Membership dues	5,955	5,050
Interest income	1,655	1,004
Other income	1,480	3,931
	<u>2,505,203</u>	<u>1,862,031</u>
Expenses		
Grant expenditures (<i>Schedule 1</i>)	1,984,167	1,436,938
General and administrative (<i>Schedule 2</i>)	482,837	430,646
Amortization	4,310	6,218
	<u>2,471,314</u>	<u>1,873,802</u>
Excess (deficiency) of revenue over expenses	<u>\$ 33,889</u>	<u>\$ (11,771)</u>

CALGARY LEARNS ASSOCIATION
Statement of Changes in Net Assets
For the Year Ended December 31, 2017

	Invested in property and equipment	Internally restricted (Note 8)	Unrestricted	2017	2016
Net assets - beginning of year	\$ 6,956	\$ 18,395	\$ 153,304	\$ 178,655	\$ 190,426
Excess (deficiency) of revenue over expenses	(4,310)	-	38,199	33,889	(11,771)
Net assets - end of year	\$ 2,646	\$ 18,395	\$ 191,503	\$ 212,544	\$ 178,655

CALGARY LEARNS ASSOCIATION
Statement of Cash Flows
For the Year Ended December 31, 2017

	2017	2016
Operating activities		
Cash received from grants and other revenue	\$ 2,323,362	\$ 1,951,664
Cash paid for programs, activities and administration	(1,901,967)	(1,660,333)
Cash paid for wages, salaries and benefits	(286,763)	(200,069)
Interest received	1,655	1,004
Goods and services tax recoverable	771	(700)
	<u>137,058</u>	<u>91,566</u>
Investing activity		
Redemption (Acquisition) of short term investments	<u>(116,824)</u>	523,712
Net change in cash and cash equivalents during the year	20,234	615,278
Cash and cash equivalents - beginning of year	<u>889,352</u>	<u>274,074</u>
Cash and cash equivalents - end of year	<u>909,586</u>	<u>889,352</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 79,971	\$ 175,629
Restricted cash	<u>829,615</u>	<u>713,723</u>
	<u>\$ 909,586</u>	<u>\$ 889,352</u>

CALGARY LEARNS ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

1. Purpose of the organization

The Calgary Learns Association (the "Association") is dedicated to supporting Calgary organizations and practitioners to provide accessible and innovative foundational learning opportunities for adults facing barriers, and an equitable community where adult learners can fully participate with enhanced confidence and capacity.

The Association is a not-for-profit organization incorporated under the Societies Act of Alberta. As a registered charity, the Association is exempt from the payment of income tax under the Income Tax Act of Canada.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions for the purchase of property and equipment are deferred and recognized as revenue on the same basis that the related assets are amortized.

b) Cash and cash equivalents

Cash and cash equivalents consist of short term and highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of change in value. Because of the short term maturity of these investments, their carrying amount approximates fair value.

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Property and equipment are amortized over their useful lives using the straight line method as follows:

Computer equipment	3 years
Furniture and fixtures	3 years
Leasehold improvements	Term of lease

Property and equipment with costs in excess of \$1,000 are capitalized and amortized over the useful life of the asset with a full year of amortization taken in the year of acquisition.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

CALGARY LEARNS ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

2. Summary of significant accounting policies (*continued*)

d) Financial instruments

The Association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost.

The financial assets measured at amortized cost include cash and cash equivalents, short term investments, accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Association assesses impairment of all its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year statement of operations.

e) Volunteer services

Volunteers contribute significant hours of service per year to assist the Association in carrying out its services and delivering activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

f) Goods and services tax

Goods and services tax is recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates included in the financial statements are the estimated useful lives of property and equipment and valuation of deferred contributions.

CALGARY LEARNS ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

3. Unrestricted cash and cash equivalents, and short term investments

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 79,971	\$ 175,629
Short term investment		
Cashable guaranteed investment certificate (GIC), with annual compound interest rate from 0.65% to 1.5%, maturing in 2020 (2016: 0.9%, maturing on March 13, 2018).	\$ 145,329	\$ 11,586

4. Restricted cash and cash equivalents, and short term investments

The Association maintains separate bank and investment accounts for its restricted operating fund, restricted grant and Casino funds.

	<u>2017</u>	<u>2016</u>
<u>Cash and cash equivalents</u>		
Grant	\$ 808,103	\$ 653,723
Casino	21,512	60,000
Other restricted donations	-	-
	\$ 829,615	\$ 713,723
<u>Short term investments</u>		
Grant: cashable guaranteed investment certificates (GICs), with annual interest rate range from 0.65% to 0.75%, maturing between in 2020 (2016: from 0.75% to 1.3%).	\$ 587,626	\$ 604,546

5. Property and equipment

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2017 Net book value</u>	<u>2016 Net book value</u>
Computer equipment	\$ 46,165	\$ 46,165	\$ -	\$ -
Leasehold improvements	20,116	17,470	2,646	5,197
Furniture and fixtures	31,505	31,505	-	1,759
	\$ 97,786	\$ 95,140	\$ 2,646	\$ 6,956

CALGARY LEARNS ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

6. Deferred contributions related to operations

a) Deferred contributions related to operations is funding received in the current period for future period operations.

	Beginning	Addition	Utilizations	2017
<u>Alberta Advanced Education (AE)</u>				
<u>Grants - (for Restricted portion* see</u>				
<u>6(b))</u>				
Community Adult Learning Program (CALP)*	\$ 780,132	\$ 1,960,484	\$ 2,224,359	\$ 516,257
Refugee Language & Support*	180,562	-	134,449	46,113
Special Projects	-	350,000	87,880	262,120
Interest income earned	6,569	2,572	4,663	4,478
Total AE Grants	967,263	2,313,056	2,451,351	828,968
Casino funds	60,000	-	38,488	21,512
	<u>\$ 1,027,263</u>	<u>\$ 2,313,056</u>	<u>\$ 2,489,839</u>	<u>\$ 850,480</u>

b) The Association commits to distribute 80% of grants from the annual CALP and remaining Refugee Language and Support funds received from Alberta Advanced Education to its member organizations for approved activities. The Association provides two different types of funding to its member organizations: program funding and initiative funding. To be eligible for funding, the program or project must meet the foundational learning needs of adults in one of the following areas: Adult Basic Literacy, English Language Learning, Essential Skills Development or Indigenous Programming.

The Association's grant period shifted in 2017 to match AE's granting cycle of July 1 to June 30.

Program funding is distributed in three installments. The first installment of 40% (40% in 2017) is paid upon approval of the program by the Association's Board of Directors and Alberta Advanced Education. The second installment of 40% (40% recognized in Q4 2017, paid in Q1 2018) is paid mid-way through the grant and the final installment of 20% (20% in Q3 of 2018) is paid out upon receipt of a final program report.

Initiative funding is provided to member organizations in two installments. The first installment of 80% (80% in 2017), is paid upon approval of the project by the Association's Board of Directors and Alberta Advanced Education. The final installment of 20% (20% in Q3 of 2018) is paid out upon receipt of a final project report.

The amount remaining in deferred contributions for the CALP and RLS grants at year end is \$562,370 (2016: \$960,694) and consists of the following:

i) Amount relating to grants previously committed that the Association has determined will not be paid out to certain organizations is \$Nil (2016: \$Nil).

ii) Amount of the grant not utilized in 2017 is \$6,617 (2016: \$42,783). The Association will grant these funds to other member organizations in 2018.

iii) Amount relating to AE grant held for the January to June period is \$555,753 (2016: \$917,911).

CALGARY LEARNS ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

7. Lease inducement

	<u>2017</u>	<u>2016</u>
Deferred lease inducement, beginning	\$ 8,276	\$ 13,605
Amortization	<u>(5,630)</u>	<u>(5,329)</u>
Balance, end of the year	2,646	8,276
Less: current portion	<u>(2,646)</u>	<u>(5,630)</u>
Long term deferred lease inducement	<u>\$ -</u>	<u>\$ 2,646</u>

At the beginning of the lease, the landlord offered the Association three and half months of free rent beginning on April 15, 2013. As per the lease agreement, the landlord further paid an amount upon the leasehold improvement completion to reimburse the costs. These lease inducements will be reported as a reduction to rent expenses in the financial statements.

8. Internally restricted fund

Internally restricted fund represents the balance of excess of receipts over disbursements from operations, which have been designated by the board of directors as restricted funds for specific purposes in subsequent periods as described below. Internally restricted funds cannot be spent without board approval.

	<u>2017</u>	<u>2016</u>
	<u>\$ 18,395</u>	<u>\$ 18,395</u>

In 2014 year, the board of directors had approved the set up of an operating reserve fund for increase in rent in future periods.

9. Commitments

As a result of Calgary Learns transitioning from the calendar year to AE's funding year (July 1st – June 30th), the final installment of the CALP grant will be in July each year rather than January and the second installment will be paid in January.

a) Amount remaining to be paid relating to the second installment of the 2017 CALP program and initiative funding is \$555,654 (2016 final installment: \$253,118). This amount is expected to be distributed in the first quarter of 2018. Amount remaining to be paid relating to the final installment of the 2016 RLS funding is \$11,108 (2016: \$37,888).

b) The Association has renewed the operating lease for office equipment, which requires monthly lease payments of \$129 until August 2019.

c) The Association has entered into an operating lease for office space, which will expire in July 2018. The estimated minimum annual office rent payments, excluding operating costs, for the next year is \$17,059.

CALGARY LEARNS ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

10. Operating requirements

Alberta Advanced Education (AE) is the provincial ministry that manages the Community Adult Learning Program (CALP), the source of the Association's major grant. CALP's operating requirements stipulate that the Association must allocate a minimum of 80% of their annual CALP grants to member agencies before the CALP funding period ends on June 30th of the following year. Up to 15% of that portion may be allocated to special projects. Any unallocated funding is to be returned to AE unless formal approval is granted by AE to carry the funds to the following year. For the year 2017, the Association was in compliance with these requirements.

	<u>2017</u>	<u>2016</u>
This same explanation presented as follows:		
CALP grant from AE*	\$ 2,690,228	\$ 1,460,152
Total required grant distribution to members 100% of program portion (Jan 2017 – June 2018)	2,152,183	1,164,522
Less 20% of program grant distribution for next year** (January - June 2018)	(313,625)	-
Refugee language and support grant, 2017 portion	104,449	189,438
Additional funds for distribution**	47,777	125,761
Unused funding to carry forward	(6,617)	(42,783)
	\$ 1,984,167	\$ 1,436,938
Program funding allocations	1,472,064	1,025,647
Initiative funding allocations	183,171	47,654
Aboriginal funding allocations	224,483	174,199
Refugee Language and Support funding allocations	104,449	189,438
Actual distribution	1,984,167	1,436,938

* In 2017, Alberta Advanced Education (AE) required the Association to align their funding cycle to match AE's funding cycle. As a result, for this transitional year, the 2017 CALP grant line includes funds for the period January 01 2017 – June 30 2018 (50% of the 2016-2017 grant and 100% of the 2017-2018 grant). Going forward, to match the distribution cycle (see Note 6(b)), the Association is recognizing 80% of the 2017-2018 grant funds in the current year (July – December 2017), and \$313,625 which is 20% of \$1,568,122 in the forthcoming year (January – June 2018).

** Acquired through accumulated interest of \$4,662 and carry forward from previous year of \$42,783, and funding returned late in the year of \$332.

11. Financial instruments

The Association's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

CALGARY LEARNS ASSOCIATION
Notes to Financial Statements
For the Year Ended December 31, 2017

12. Additional information to comply with disclosure requirements of the Charitable Fund Raising Act of Alberta and Regulations

Gross fundraising contributions received in the current year were \$6,275 (2016: \$6,262).

All monies received from fundraising were used for administrative, marketing expenses and Life of Learning Awards (LOLA). No specific item was purchased which accounted for over 10% of the contributions received.

All expenses incurred for the purposes of soliciting contributions were \$Nil (2016: \$Nil).

No funds were paid as remuneration to fund-raising businesses, including any expenses or fees paid to fundraising businesses or as reimbursements to fundraising businesses. No amount was paid to employees for fundraising activities (2016: \$Nil).

13. Comparative figures

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

CALGARY LEARNS ASSOCIATION**Grant expenditures****(Schedule 1)****For the Year Ended December 31, 2017**

	2017	2016
Grants Committed		
Adult literacy	\$ 563,686	\$ 345,252
Essential skills	525,872	361,335
Immigrant serving programs	382,506	319,060
Indigenous learning	224,483	174,199
Initiative projects	183,171	47,654
Refugee language and support	104,449	189,438
Total Grants Committed	<u>1,984,167</u>	1,436,938
Add: grant interest earned and to be distributed in the forthcoming year	4,478	4,663
Add: grant amounts payable relating to prior year commitments	566,762	291,006
Less: grant amounts to be distributed in the forthcoming year (include operating portion)	(1,133,610)	(1,249,090)
Add: Grant received for next year's program and operating	562,370	910,638
Add: Current year unallocated grant funds to be distributed in the forthcoming year	-	42,783
	<u>\$ 1,984,167</u>	<u>\$ 1,436,938</u>

CALGARY LEARNS ASSOCIATION
General and Administrative Expenses
For the Year Ended December 31, 2017

(Schedule 2)

	2017	2016
General and Administrative Expenses		
Salaries, wages and benefits	\$ 286,763	\$ 200,069
Granting process and other grants	91,941	33,321
Professional fees	38,231	39,440
Rental (Note 7)	35,098	38,314
Others	9,912	8,242
Events for members	8,012	17,242
Board expenses	7,310	9,943
Consulting	4,315	82,910
Insurance	1,255	1,165
	\$ 482,837	\$ 430,646