



Financial Statements

Pacekids Society for Children with Special
Needs

August 31, 2023

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Independent Auditor's Report

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To the Board of Directors of
Pacekids Society for Children with Special Needs

Opinion

We have audited the financial statements of Pacekids Society for Children with Special Needs (the "Society"), which comprise the statement of financial position as at August 31, 2023, and the statements of operations, 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 Society as at August 31, 2023, 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 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 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.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Independent Auditor's Report (continued)

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 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.

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, Canada
November 14, 2023

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants

Pacekids Society for Children with Special Needs

Statement of Financial Position

August 31

2023

2022

Assets

Current

Cash	\$ 1,442,685	\$ 1,081,436
Restricted cash	56,195	133,048
Accounts receivable (Note 3)	115,012	64,146
Prepaid expenses	<u>36,072</u>	<u>2,427</u>

1,649,964 1,281,057

Investments

3,148,663 2,917,190

Tangible capital assets (Note 4) 397,402 248,432

\$ 5,196,029 **\$ 4,446,679**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 90,984	\$ 39,954
Wages payable	259,717	198,600
Unearned operating revenue	3,052	12,680
Deferred contributions related to operations (Note 5)	421,126	780,055
FSCD funding payable (Note 5)	227,159	170,897
Current portion of rent inducements	<u>86,814</u>	<u>86,814</u>

1,088,852 1,289,000

Rent inducements (Note 6) 259,842 346,656

Deferred contributions related to tangible capital assets (Note 7) 253,492 162,332

1,602,186 1,797,988

Net assets

Unrestricted 717,577 830,235

Invested in tangible capital assets 143,910 86,100

Internally restricted (Note 8) 2,732,356 1,732,356

3,593,843 2,648,691

\$ 5,196,029 **\$ 4,446,679**

Economic dependence (Note 13)

Commitments (Note 14)

On behalf of the Board

Director

Director

Pacekids Society for Children with Special Needs

Statement of Operations

Year ended August 31	2023	2022
Revenues		
Alberta Education	\$ 7,667,833	\$ 6,999,096
FSCD block funding	2,916,545	3,174,760
FSCD fee for service	267,695	298,656
Program fees	189,957	156,020
Grants and donations	144,658	185,005
Fundraising events	124,902	173,218
Amortization of deferred contributions related to tangible capital assets	96,909	74,092
Casino revenue	8,156	11,713
Other revenue	2,204	1,705
	11,418,859	11,074,265
Expenses		
Salaries and wages	8,539,295	8,015,665
Facilities and occupancy costs	1,045,313	1,010,510
Program expenses	617,277	534,436
Amortization	141,984	108,451
Computer supplies and support	117,361	78,152
Fundraising	59,648	74,968
Memberships and subscriptions	37,625	18,395
Interest and bank charges	28,648	25,833
GST expense	47,863	41,593
Insurance	17,320	16,439
Office	20,259	15,018
Professional fees	40,090	38,085
Advertising and promotion	3,378	7,001
Meals and entertainment	1,403	1,682
	10,717,464	9,986,228
Excess of revenues over expenses from operations	701,395	1,088,037
Other item		
Investment income (loss)	243,757	(347,669)
Excess of revenues over expenses	\$ 945,152	\$ 740,368

Pacekids Society for Children with Special Needs

Statement of Changes in Net Assets

Year ended August 31

	Invested in tangible capital assets	Internally restricted (Note 8)	Unrestricted	Total 2023	Total 2022
Balance, beginning of year \$	86,100 \$	1,732,356 \$	830,235 \$	2,648,691 \$	1,908,323
Excess (deficiency) of revenues over expenses	(45,075)	-	990,227	945,152	740,368
Transferred to internally restricted	-	1,000,000	(1,000,000)	-	-
Transferred to tangible capital assets	102,885	-	(102,885)	-	-
Balance, end of year	\$ 143,910	\$ 2,732,356	\$ 717,577	\$ 3,593,843	\$ 2,648,691

Pacekids Society for Children with Special Needs

Statement of Cash Flows

Year ended August 31

2023

2022

Increase (decrease) in cash

Operating

Excess of revenues over expenses	\$	945,152	\$	740,368
Items not affecting cash				
Amortization of tangible capital assets		141,984		108,451
Amortization of deferred lease inducement		(86,814)		(86,814)
Amortization of deferred contributions related to tangible capital assets		(96,909)		(74,092)
Unrealized loss from investments		-		347,669

903,413 1,035,582

Change in non-cash working capital items

Restricted cash		76,853		(10,152)
Accounts receivable		(50,866)		(28,834)
Prepaid expenses		(33,645)		3,838
Accounts payable and accrued liabilities		51,030		(34,036)
Wages payable		61,117		(203,997)
Unearned operating revenue		(9,628)		1,220
Deferred contributions related to operations		(358,929)		104,482
FSCD funding payable		56,262		(253,347)

695,607 614,756

Financing

Funding received for purchase of tangible capital assets (Note 7)

188,069 5,896

Investing

Purchase of investments		(231,473)		(489,598)
Purchase of tangible capital assets		(290,954)		(45,086)

(522,427) (534,684)

Increase in cash

361,249 85,968

Cash

Beginning of year 1,081,436 995,468

End of year \$ 1,442,685 \$ 1,081,436

Pacekids Society for Children with Special Needs

Notes to the Financial Statements

August 31, 2023

1. Nature of operations

Pacekids Society for Children with Special Needs (the "Society") was incorporated under the Societies Act of Alberta on June 12, 1996. The Society offers programs for children with disabilities and their families. The Society is registered as a charitable organization under section 149(1) of the Income Tax Act of Canada and accordingly is exempt from the payment of income taxes.

2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the period 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.

Fee for service, program fees and other revenue are recognized as revenue when earned.

Contributions-in-kind are recorded at fair market value when the fair market value can be reasonably determined, and items otherwise would be purchased.

Contributions received for tangible capital assets are recognized as revenue in proportion to the annual amortization of the related assets for which the contribution was made.

Restricted cash

Restricted cash consists of funds received from casino fundraisers and interest thereon. Use of these funds is restricted by Alberta Gaming, Liquor and Cannabis Commission ("AGLC").

Cash

Cash consists of cash on hand and bank balances.

Investments

Investments consist of a high-interest savings account held with a Canadian financial institution. As management currently is not anticipating spending all or a portion of these funds within the Society's next fiscal year, these investments have been presented as long-term in the statement of financial position.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and any impairment provisions. Contributed tangible capital assets are recorded at their fair value when fair value is reasonably determinable at the date of contribution. The cost of tangible capital assets made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the useful lives of the separate components.

Pacekids Society for Children with Special Needs

Notes to the Financial Statements

August 31, 2023

2. Significant accounting policies (continued)

Tangible capital assets (continued)

Amortization is provided once the assets have been placed in use in accordance with the straight-line method over the following number of years:

Office equipment	3 years
Program equipment	5 years
Program furniture	5 years
Vehicles	5 years
Software	3-5 years

Amortization of leasehold improvements is recorded over the remaining term of the lease.

Tangible capital assets are tested for impairment whenever events or changes in circumstances indicate that an asset no longer contributes to the Society's ability to provide services or that the value of the future economic benefits or service potential associated with the asset is less than its net carrying amount. When conditions indicate that an asset is impaired, the net carrying amount of the asset is written down to the asset's fair value or replacement cost and the associated impairment loss is recognized in the statement of operations at that time.

Rent inducements

Rent inducements include rent-free periods provided to the Society on negotiation and execution of lease agreements. The Society recognizes rent inducements and rent expense on a straight-line basis over the term of the lease.

Financial instruments

Financial instruments are recorded at fair value on initial recognition except for certain non-arm's length transactions which are measured at cost or fair value, depending on the nature of the transaction, and are subsequently recorded at amortized cost. The Society has no non-arm's length transactions recorded at fair value. Equity instruments that are quoted in an active market, including marketable securities, are recorded at fair value. All other financial instruments are recorded at cost or amortized cost.

Financial assets subsequently measured at amortized cost are assessed for impairment on an annual basis at the end of the year if there are indicators that the assets may be impaired. If a financial asset is determined to be impaired, it is written-down to its estimated net recoverable amount and the impairment loss is recorded in the statement of operations. If events and circumstances reverse in a future period, the impairment loss will be reversed to the extent of the improvement, not exceeding the previously recognized impairment loss.

Pacekids Society for Children with Special Needs

Notes to the Financial Statements

August 31, 2023

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant items subject to measurement uncertainty include the carrying value of accounts receivable, the estimated useful lives and service potential of tangible capital assets, the completeness of accrued liabilities and the expense allocations among programs.

3. Accounts receivable

	2023	2022
Province of Alberta	\$ 51,336	\$ 29,086
GST receivable	26,190	21,500
Other	37,486	13,560
	\$ 115,012	\$ 64,146

4. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value	2023	2022
				Net Book Value	Net Book Value
Office equipment	\$ 138,126	\$ 89,519	\$ 48,607	\$ 7,370	
Program equipment	186,178	186,178	-	-	
Program furniture	63,163	53,730	9,433	11,791	
Vehicles	644,969	377,609	267,360	166,752	
Software	89,245	29,545	59,700	37,504	
Leasehold improvements	112,732	100,430	12,302	25,015	
	\$ 1,234,413	\$ 837,011	\$ 397,402	\$ 248,432	

Pacekids Society for Children with Special Needs

Notes to the Financial Statements

August 31, 2023

5. Deferred contributions related to operations

	2023				
	Balance, beginning of year	Additions	Utilizations	Transfers/ Repayments	Balance, end of year
FSCD block funding (a)	\$ 254,909	\$ 3,143,704	\$ (2,916,545)	\$ (216,560)	265,508
Restricted contributions (b)	74,406	92,431	(71,039)	1,840	97,638
Casino (c)	133,048	94,277	(171,130)	-	56,195
Alberta Education (d)	<u>317,692</u>	<u>7,315,936</u>	<u>(7,667,833)</u>	<u>35,990</u>	<u>1,785</u>
	<u>\$ 780,055</u>	<u>\$ 10,646,348</u>	<u>\$ (10,826,547)</u>	<u>\$ (178,730)</u>	<u>\$ 421,126</u>
	2022				
	Balance, beginning of year	Additions	Utilizations	Transfers/ Repayments	Balance, end of year
FSCD block funding (a)	\$ 436,805	\$ 3,058,912	\$ (3,174,760)	\$ (66,048)	254,909
Restricted contributions (b)	114,113	64,367	(104,074)	-	74,406
Casino (c)	124,655	-	(11,713)	20,106	133,048
Alberta Education (d)	<u>-</u>	<u>7,316,788</u>	<u>(6,999,096)</u>	<u>-</u>	<u>317,692</u>
	<u>\$ 675,573</u>	<u>\$ 10,440,067</u>	<u>\$ (10,289,643)</u>	<u>\$ (45,942)</u>	<u>\$ 780,055</u>

- a) Revenue recognition for FSCD block funding is based on program expenses incurred. Any surplus requires repayment to FSCD. The estimated repayment to FSCD of fiscal 2023 funding as at March 31, 2023 is \$227,159 (2022 - \$170,897), which has been presented as a separate liability in the statement of financial position.
- b) The Society receives funding from various donors and revenue is recognized as the funds are spent as directed by the donors. During the year, \$20,000 (2022 - \$nil) was expended for the purchase of tangible capital assets.
- c) The Society receives funding from AGLC and revenue is recognized as the funds are expended in accordance with AGLC guidelines. During the year, \$168,069 (2022 - \$5,896) was expended for the purchase of tangible capital assets.
- d) Revenue recognition for Alberta Education funding is based on program expenses incurred.

Pacekids Society for Children with Special Needs

Notes to the Financial Statements

August 31, 2023

6. Rent inducements

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 433,470	\$ 520,284
Applied as a reduction in facilities and occupancy costs expense	<u>(86,814)</u>	<u>(86,814)</u>
	346,656	433,470
Current portion	<u>(86,814)</u>	<u>(86,814)</u>
	\$ 259,842	\$ 346,656

Rent inducements relate to rent-free periods allowed by the landlord at the North and South facilities.

7. Deferred contributions related to tangible capital assets

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 162,332	\$ 230,528
Amortization of deferred contributions related to tangible capital assets	<u>(96,909)</u>	<u>(74,092)</u>
Additions	<u>188,069</u>	<u>5,896</u>
Balance, end of year	\$ 253,492	\$ 162,332

8. Internally restricted net assets

Internally restricted net assets represents an operating reserve aggregating \$2,732,356 (2022 - \$1,732,356), approved by the Society's Board of Directors, to fund tangible capital asset maintenance, replacement and acquisition necessary to support program delivery and unfunded programming expenditures associated with changes to the Alberta Education funding model. In 2023 the Society's Board of Directors approved the transfer of \$1,000,000 (2022 - \$674,000) to internally restricted net assets.

9. Bank indebtedness

The Society maintains an operating line of credit to finance short-term working capital to a maximum of \$900,000 (2022 - \$900,000) that is due on demand and bears interest at the bank's prime interest rate plus 0.5% per annum. As at August 31, 2023, there was no balance on the line of credit (2022 - \$nil).

Pacekids Society for Children with Special Needs

Notes to the Financial Statements

August 31, 2023

10. Financial instruments

The Society is exposed to various risks through its financial instruments including credit risk and market risk. The Society manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(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. For accounts receivable, the Society monitors its accounts for timely collection. For any uncollectible balances, an allowance for doubtful accounts is established based upon factors surrounding the credit risk including historical trends and other information.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Society is principally exposed to interest rate risk.

(i) 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 variable rate operating line of credit, which exposes it to a cash flow risk.

11. Fundraising

As required under Section 7(2) of the Regulations of the Charitable Fundraising Act of Alberta, total expenses in the amount of \$377,312 (2022 - \$311,334) were incurred in the year for the purposes of soliciting donations. Gross contributions received from fundraising were \$467,674 (2022 - \$449,924).

12. Allocation of expenses

The Society allocates administrative wages and general support expenses across various programs based on grant budgets approved by their major funders. General support expenses include advertising and promotion, professional fees, memberships and subscriptions, interest and bank charges, office, insurance, facilities and occupancy costs, computer supplies and support, salaries and wages, and meals and entertainment. General support expenses which are specific to a program are allocated fully to that program.

Pacekids Society for Children with Special Needs

Notes to the Financial Statements

August 31, 2023

13. Economic dependence

The Society's primary source of income is from the Alberta Government through Alberta Education and FSCD. The Society's ability to continue viable operations is dependent on this funding.

14. Commitments

The Society has long-term leases with respect to its premises in the North location (expires August 2024), and the South location (expires January 2029). Along with basic rent, the Society also provides payment to the landlord for utilities and maintenance costs, which are not included in the amounts below. Future minimum lease payments are estimated as follows:

2024	\$	604,996
2025		266,684
2026		266,684
2027		266,684
2028		<u>266,684</u>
	\$	<u>1,671,732</u>
