Doane Grant Thornton

# Financial Statements

## Pacekids Society for Children with Special Needs

August 31, 2024

# Contents

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# Independent Auditor's Report

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, which comprise the statement of financial position as at August 31, 2024, 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, 2024, 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.

Doane Grant Thornton LLP

Calgary, Canada
November 15, 2024

Chartered Professional Accountants

# Pacekids Society for Children with Special Needs
# Statement of Financial Position

| August 31 | | **2024** | | 2023 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current | | | | |
| Cash | $ | **1,828,700** | $ | 1,442,685 |
| Restricted cash | | **118,311** | | 56,195 |
| Accounts receivable (Note 3) | | **53,128** | | 115,012 |
| Prepaid expenses | | **39,474** | | 36,072 |
| | | **2,039,613** | | 1,649,964 |
| Investments | | **3,564,596** | | 3,148,663 |
| Tangible capital assets (Note 4) | | **392,607** | | 397,402 |
| | **$** | **5,996,816** | $ | 5,196,029 |
| **Liabilities** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | **$** | **89,186** | $ | 90,984 |
| Wages payable | | **361,445** | | 259,717 |
| Unearned operating revenue | | **240** | | 3,052 |
| Deferred contributions related to operations (Note 5) | | **516,551** | | 421,126 |
| FSCD funding payable (Note 5) | | **204,439** | | 227,159 |
| Current portion of rent inducements | | **86,810** | | 86,814 |
| | | **1,258,671** | | 1,088,852 |
| Rent inducements (Note 6) | | **173,036** | | 259,842 |
| Deferred contributions related to tangible capital assets (Note 7) | | **155,598** | | 253,492 |
| | | **1,587,305** | | 1,602,186 |
| **Net assets** | | | | |
| Unrestricted | | **440,145** | | 717,577 |
| Invested in tangible capital assets | | **237,010** | | 143,910 |
| Internally restricted (Note 8) | | **3,732,356** | | 2,732,356 |
| | | **4,409,511** | | 3,593,843 |
| | **$** | **5,996,816** | $ | 5,196,029 |

Economic dependence (Note 13)
Commitments (Note 14)
Subsequent event (Note 15)

On behalf of the Board

____________________ Director ____________________ Director

# Pacekids Society for Children with Special Needs
## Statement of Operations

| Year ended August 31 | **2024** | 2023 |
|---|---|---|
| Revenues | | |
| Alberta Education | **$ 7,561,117** | $ 7,667,833 |
| FSCD block funding | **2,981,661** | 2,916,545 |
| Fundraising events | **278,980** | 124,902 |
| Program fees | **267,872** | 189,957 |
| FSCD fee for service | **183,367** | 267,695 |
| Amortization of deferred contributions related to tangible capital assets | **97,894** | 96,909 |
| Grants and donations | **55,962** | 144,658 |
| Casino revenue | **50,853** | 8,156 |
| Other revenue | **501** | 2,204 |
| | **11,478,207** | 11,418,859 |
| Expenses | | |
| Salaries and wages | **8,663,585** | 8,539,295 |
| Facilities and occupancy costs | **1,166,579** | 1,045,313 |
| Program expenses | **710,377** | 617,277 |
| Computer supplies and support | **137,069** | 117,361 |
| Amortization | **135,731** | 141,984 |
| Marketing, promotion and fundraising | **96,562** | 63,025 |
| Professional fees | **54,994** | 40,090 |
| GST Expense | **49,726** | 47,863 |
| Interest and bank charges | **26,068** | 28,648 |
| Office | **23,149** | 20,260 |
| Insurance | **20,471** | 17,320 |
| Memberships and subscriptions | **4,123** | 37,625 |
| Meals and entertainment | **2,303** | 1,403 |
| | **11,090,737** | 10,717,464 |
| Excess of revenues over expenses before other item | **387,470** | 701,395 |
| Other item | | |
| Investment income (loss) | **428,198** | 243,757 |
| Excess of revenues over expenses | **$ 815,668** | $ 945,152 |

See accompanying notes to the financial statements.

## Pacekids Society for Children with Special Needs
## Statement of Changes in Net Assets
Year ended August 31

| | Invested in tangible capital assets | Internally restricted | Unrestricted | **Total 2024** | Total 2023 |
|---|---|---|---|---|---|
| Balance, beginning of year | $ 143,910 | $ 2,732,356 | $ 717,577 | **$ 3,593,843** | $ 2,648,691 |
| Excess (deficiency) of revenues over expenses | (37,837) | - | 853,505 | **815,668** | 945,152 |
| Transferred to internally restricted | - | 1,000,000 | (1,000,000) | **-** | - |
| Transferred to tangible capital assets | 130,937 | - | (130,937) | **-** | - |
| Balance, end of year | **$ 237,010** | **$ 3,732,356** | **$ 440,145** | **$ 4,409,511** | $ 3,593,843 |

# Pacekids Society for Children with Special Needs
## Statement of Cash Flows

| Year ended August 31 | **2024** | 2023 |
|---|---|---|
| Increase (decrease) in cash | | |
| **Operating** | | |
| Excess of revenues over expenses | **$ 815,668** | $ 945,152 |
| Items not affecting cash | | |
| Amortization of tangible capital assets | **135,731** | 141,984 |
| Amortization of deferred lease inducement | **(86,810)** | (86,814) |
| Amortization of deferred contributions related to tangible capital assets | **(97,894)** | (96,909) |
| | **766,695** | 903,413 |
| Change in non-cash working capital items | | |
| Restricted cash | **(62,116)** | 76,853 |
| Accounts receivable | **61,884** | (50,866) |
| Prepaid expenses | **(3,402)** | (33,645) |
| Accounts payable and accrued liabilities | **(1,798)** | 51,030 |
| Wages payable | **101,728** | 61,117 |
| Unearned operating revenue | **(2,812)** | (9,628) |
| Deferred contributions related to operations | **95,425** | (358,929) |
| FSCD funding payable (Note 5) | **(22,720)** | 56,262 |
| | **932,884** | 695,607 |
| **Financing** | | |
| Funding received for purchase of tangible capital assets | **-** | 188,069 |
| **Investing** | | |
| Purchase of investments | **(415,933)** | (231,473) |
| Purchase of tangible capital assets | **(130,936)** | (290,954) |
| | **(546,869)** | (522,427) |
| Increase in cash | **386,015** | 361,249 |
| Cash | | |
| Beginning of year | **1,442,685** | 1,081,436 |
| End of year | **$ 1,828,700** | $ 1,442,685 |

## 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 Society follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

### 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.

## 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 |
| Vehicles | 5 years |
| Program furniture | 5 years |
| Program equipment | 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.

## 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

| | **2024** | 2023 |
|---|---|---|
| Province of Alberta | **$ -** | $ 51,336 |
| GST receivable | **25,861** | 26,190 |
| Other | **27,267** | 37,486 |
| | **$ 53,128** | $ 115,012 |

## 4. Tangible capital assets

| | Cost | Accumulated Amortization | **2024 Net Book Value** | 2023 Net Book Value |
|---|---|---|---|---|
| Office equipment | $ 152,702 | $ 110,075 | **$ 42,627** | $ 48,607 |
| Vehicles | 700,357 | 459,034 | **241,323** | 267,360 |
| Program furniture | 63,163 | 56,089 | **7,074** | 9,433 |
| Leasehold improvements | 164,615 | 107,942 | **56,673** | 12,302 |
| Program equipment | 186,178 | 186,178 | **-** | - |
| Software | 98,335 | 53,425 | **44,910** | 59,700 |
| | $ 1,365,350 | $ 972,743 | **$ 392,607** | $ 397,402 |

### 5. Deferred contributions related to operations

| | | | | | 2024 |
|---|---|---|---|---|---|
| | **Balance, beginning of year** | **Additions** | **Utilizations** | **Transfers/ Repayments** | **Balance, end of year** |
| FSCD block funding (a) | $ 265,508 | $ 3,186,099 | $ (2,981,661) | $ (204,187) | **$ 265,759** |
| Restricted contributions (b) | 97,638 | 167,708 | (81,208) | (49,873) | **134,265** |
| Casino (c) | 56,195 | 111,619 | (50,853) | (434) | **116,527** |
| Alberta Education (d) | 1,785 | 7,595,497 | (7,561,117) | (36,165) | **-** |
| | $ 421,126 | $ 11,060,923 | $ (10,674,839) | $ (290,659) | **$ 516,551** |

| | | | | | 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) | 317,692 | 7,315,936 | (7,667,833) | 35,990 | **1,785** |
| | $ 780,055 | $ 10,646,348 | $ (10,826,547) | $ (178,730) | **$ 421,126** |

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 2024 funding as at March 31, 2024 is $204,439 (2023 - $227,159), 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, $nil (2023 – $20,000) 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, $nil (2023 - $168,069) was expended for the purchase of tangible capital assets.

d) Revenue recognition for Alberta Education funding is based on program expenses incurred.

## 6. Rent inducements

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Balance, beginning of year | $ | **346,656** | $ | 433,470 |
| Applied as a reduction in facilities and occupancy costs expense | | **(86,810)** | | (86,814) |
| | | **259,846** | | 346,656 |
| Current portion | | **(86,810)** | | (86,814) |
| | $ | **173,036** | $ | 259,842 |

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

| | | 2024 | | 2023 |
|---|---|---|---|---|
| Balance, beginning of year | $ | **253,492** | $ | 162,332 |
| Amortization of deferred contributions related to tangible capital assets | | **(97,894)** | | (96,909) |
| Additions | | **-** | | 188,069 |
| Balance, end of year | $ | **155,598** | $ | 253,492 |

## 8. Internally restricted net assets

Internally restricted net assets represents an operating reserve aggregating $3,732,356 (2023 - $2,732,356), 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 2024 the Society's Board of Directors approved the transfer of $1,000,000 (2023 - $1,000,000) 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 (2023 - $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, 2024, there was no balance on the line of credit (2023 - $nil).

## 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, cash and investments. 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. The Society holds its cash and investments with reputable Canadian financial instituions and management perceives minimal credit risk to be associated with these financial assets.

(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 Alberta Charitable Fund-Raising Regulation, the Society incurred total expenses for the purposes of soliciting contributions during the year of $393,214 (2023 - $325,039). Included in this total are amounts paid to employees for the purposes of soliciting contributions of $182,630 (2023 - $150,450).

## 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.

### 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 June 2026), and the South location (expires August 2034). 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:

| | |
|---|---|
| 2025 | $ 564,872 |
| 2026 | 533,230 |
| 2027 | 307,310 |
| 2028 | 310,319 |
| 2029 | 314,457 |
| | $ 2,030,188 |

### 15. Subsequent event

On October 16, 2024, the Board of Directors approved a resolution for the Society to consider and engage in the development of a new facility in Northeast Calgary.