

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)

Financial Statements

March 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of RESET Society of Calgary (Formerly Servants Anonymous Society of Calgary)

Qualified Opinion

We have audited the financial statements of RESET Society of Calgary (the Society), which comprise the statement of financial position as at March 31, 2019, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 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 was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2019, current assets and net assets as at March 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 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

The financial statements for the year ended March 31, 2018 were audited by another firm. The audit opinion on these financial statements was modified because of the possible affects of the matter described in the *Basis for Qualified Opinion* section.

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.

(continues)

Partners:

| | | | |
|---|----------------|----------------------------|--------------------------|
| Mason Nicoll Professional Corporation | (403) 268-9881 | mnicoll@LNSaccountants.ca | 400, 1010 — 8th Ave SW |
| Tyson Schmidt Professional Corporation | (403) 268-9879 | tschmidt@LNSaccountants.ca | Calgary, Alberta T2P 1J2 |
| Jan Hulme Professional Corporation | (403) 268-9897 | jhulme@LNSaccountants.ca | Tel: (403) 269-1851 |
| Brendan J. Blair Professional Corporation | (403) 268-9878 | bblair@LNSaccountants.ca | Fax: (403) 264-3918 |
| | | | www.LNSaccountants.ca |

Independent Auditor's Report to the Members of RESET Society of Calgary *(continued)*

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

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, Alberta
June 18, 2019

LNS Chartered Professional Accountants

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Statement of Financial Position
March 31, 2019

| | Programs | Fireworks Cooperative | 2019 | 2018 |
|---|---------------------|--------------------------|---------------------|---------------------|
| ASSETS | | | | |
| Current | | | | |
| Cash and cash equivalents <i>(Note 3)</i> | \$ 492,021 | \$ - | \$ 492,021 | \$ 1,702,432 |
| Term deposits <i>(Note 4)</i> | 382,767 | - | 382,767 | - |
| Marketable securities <i>(Note 4)</i> | 868,233 | - | 868,233 | - |
| Accounts receivable | 4,421 | - | 4,421 | 2,204 |
| Goods and Services Tax recoverable | 12,406 | - | 12,406 | 13,761 |
| Prepaid expenses | 31,274 | - | 31,274 | 22,404 |
| Grants receivable <i>(Note 5)</i> | 18,425 | - | 18,425 | 15,000 |
| Scholarship reserve <i>(Note 3)</i> | 27,627 | - | 27,627 | 21,899 |
| | 1,837,174 | - | 1,837,174 | 1,777,700 |
| Property and equipment <i>(Note 6)</i> | 1,583,509 | - | 1,583,509 | 1,781,291 |
| Term deposits <i>(Note 4)</i> | 214,936 | - | 214,936 | - |
| Assets held for sale <i>(Note 6)</i> | - | - | - | 159,685 |
| Security deposit | 9,369 | - | 9,369 | 9,369 |
| | <u>\$ 3,644,988</u> | <u>\$ -</u> | <u>\$ 3,644,988</u> | <u>\$ 3,728,045</u> |

See notes to financial statements

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Statement of Financial Position
March 31, 2019

| | Programs | Fireworks Cooperative | 2019 | 2018 |
|---|--------------|--------------------------|--------------|--------------|
| LIABILITIES AND NET ASSETS | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | \$ 46,486 | \$ - | \$ 46,486 | \$ 256,587 |
| Deferred revenue (contributions) <i>(Note 5)</i> | 197,276 | - | 197,276 | 44,024 |
| Deferred revenue (scholarship) <i>(Note 3)</i> | 27,627 | - | 27,627 | 21,869 |
| Deferred revenue (office rent) | 37,652 | - | 37,652 | 21,641 |
| | 309,041 | - | 309,041 | 344,121 |
| Deferred contributions related to capital assets <i>(Note 7)</i> | 9,542 | - | 9,542 | - |
| | 318,583 | - | 318,583 | 344,121 |
| Net assets | | | | |
| Unrestricted | 1,742,896 | - | 1,742,896 | 1,442,948 |
| Investment in capital assets | 1,583,509 | - | 1,583,509 | 1,940,976 |
| | 3,326,405 | - | 3,326,405 | 3,383,924 |
| | \$ 3,644,988 | \$ - | \$ 3,644,988 | \$ 3,728,045 |

Contingencies *(Note 10)*

Commitments *(Note 11)*

Approved on behalf of the Board

"Rod Blank" President

"Jessica Wuttunee-Campbell" Treasurer

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Statement of Revenues and Expenditures
Year Ended March 31, 2019

| | Programs | Fireworks Cooperative | 2019 | 2018 |
|--|--------------------|--------------------------|--------------------|---------------------|
| Revenues | | | | |
| Government grants <i>(Note 5)</i> | \$ 305,932 | \$ - | \$ 305,932 | \$ 325,824 |
| Donations | 290,879 | - | 290,879 | 352,693 |
| Fundraising | 209,224 | - | 209,224 | 184,425 |
| Grant funding <i>(Note 5)</i> | 119,822 | - | 119,822 | 40,178 |
| Rental income | 74,506 | - | 74,506 | 50,538 |
| Investment | 38,971 | - | 38,971 | 2,590 |
| Other | 10,391 | - | 10,391 | 13,423 |
| Contracts and services | - | - | - | 9,589 |
| | <u>1,049,725</u> | <u>-</u> | <u>1,049,725</u> | <u>979,260</u> |
| Expenses | | | | |
| Wages and benefits | 699,471 | - | 699,471 | 652,480 |
| Office rental and occupancy costs | 123,975 | - | 123,975 | 91,843 |
| Fundraising | 123,633 | - | 123,633 | 61,780 |
| Advertising and promotion | 73,380 | - | 73,380 | 19,922 |
| Participant expenses | 61,023 | - | 61,023 | 76,561 |
| Office and administration | 37,633 | 413 | 38,046 | 6,476 |
| Repairs and maintenance | 37,212 | - | 37,212 | 51,216 |
| Insurance | 33,744 | - | 33,744 | 34,484 |
| Professional fees | 21,040 | - | 21,040 | 41,284 |
| Bank charges | 3,383 | 291 | 3,674 | 6,683 |
| Interest on loans and borrowings | 380 | - | 380 | 23,148 |
| | <u>1,214,874</u> | <u>704</u> | <u>1,215,578</u> | <u>1,065,877</u> |
| Excess of revenues over expenses before other income and expenses | <u>(165,149)</u> | <u>(704)</u> | <u>(165,853)</u> | <u>(86,617)</u> |
| Other income (expenses) | | | | |
| Gain on sale of assets | 168,970 | - | 168,970 | 2,864,476 |
| Amortization | (60,636) | - | (60,636) | (32,496) |
| | <u>108,334</u> | <u>-</u> | <u>108,334</u> | <u>2,831,980</u> |
| Excess (deficiency) of revenues over expenses | <u>\$ (56,815)</u> | <u>\$ (704)</u> | <u>\$ (57,519)</u> | <u>\$ 2,745,363</u> |

See notes to financial statements

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Statement of Changes in Net Assets
Year Ended March 31, 2019

| | Programs | Fireworks Cooperative | Investment in capital assets | 2019 | 2018 |
|---------------------------------------|---------------------|--------------------------|---------------------------------|---------------------|---------------------|
| Net assets - beginning of year | \$ 1,442,244 | \$ 704 | \$ 1,940,976 | \$ 3,383,924 | \$ 638,561 |
| Deficiency of revenues over expenses | (56,815) | (704) | - | (57,519) | 2,745,363 |
| Investment in capital assets | (103,625) | - | 103,625 | - | - |
| Disposal of capital assets | 400,456 | - | (400,456) | - | - |
| Amortization of capital assets | 60,636 | - | (60,636) | - | - |
| Net assets - end of year | \$ 1,742,896 | \$ - | \$ 1,583,509 | \$ 3,326,405 | \$ 3,383,924 |

See notes to financial statements

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Statement of Cash Flows
Year Ended March 31, 2019

| | 2019 | 2018 |
|---|--------------------|---------------------|
| Operating activities | | |
| Excess (deficiency) of revenues over expenses | \$ (57,519) | \$ 2,745,363 |
| Items not affecting cash: | | |
| Amortization of property and equipment | 60,636 | 32,496 |
| Amortization of contributions related to capital assets <i>(Note 7)</i> | (458) | - |
| Gain on sale of assets | (168,970) | (2,864,476) |
| Deferred rent | 16,011 | 21,641 |
| | <u>(150,300)</u> | <u>(64,976)</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | (2,217) | 1,206 |
| Inventory | - | 1,015 |
| Accounts payable and accrued liabilities | (209,124) | 203,128 |
| Prepaid expenses | (8,870) | (5,286) |
| Goods and Services Tax recoverable | 1,356 | (8,874) |
| Security deposits | - | (9,369) |
| Grants receivable <i>(Note 5)</i> | (3,425) | 15,000 |
| Interest receivable | (11,648) | - |
| Deferred revenue (contributions) <i>(Note 5)</i> | 153,252 | (15,976) |
| Deferred revenue (scholarships) | 5,758 | 3,451 |
| Customer deposits | - | (2,757) |
| | <u>(74,918)</u> | <u>181,538</u> |
| | <u>(225,218)</u> | <u>116,562</u> |
| Investing activities | | |
| Purchase of property and equipment | (93,624) | (1,621,714) |
| Proceeds on disposal of property and equipment | 568,447 | 3,537,470 |
| Purchase of investments | (1,454,288) | - |
| | <u>(979,465)</u> | <u>1,915,756</u> |
| Financing activity | | |
| Repayment of loans and borrowings | - | (520,001) |
| | <u>-</u> | <u>(520,001)</u> |
| Net change in cash and cash equivalents during the year | (1,204,683) | 1,512,317 |
| Cash and cash equivalents - beginning of year | <u>1,724,331</u> | <u>212,014</u> |
| Cash and cash equivalents - end of year <i>(Note 3)</i> | \$ 519,648 | \$ 1,724,331 |

See notes to financial statements

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Notes to Financial Statements
Year Ended March 31, 2019

1. NATURE OF OPERATIONS

The RESET Society of Calgary (formerly Servants Anonymous of Calgary) (the "Society") has as its purpose to provide comprehensive individualized support and safe housing to women and girls age 16 and over exiting sexual exploitation and sex trafficking so that they may transform their lives.

The Society was incorporated on May 5, 1989 under the Alberta Societies Act as a not-for-profit organization. The Society is a not-for-profit organization under Section 149(l) of the Income Tax Act and accordingly, is not subject to income tax. Effective May 5, 1989 the Society was awarded charitable status for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of deposits in bank and short-term investments with original maturities of three months or less.

Because of the short-term maturity of these investments, their carrying amount approximates fair value.

Revenue recognition

RESET Society of Calgary 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 investment income is recognized as revenue in the year in which the related expenses are incurred.

Unrestricted investment income is recognized as revenue when earned.

Contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization of the related asset.

Fund accounting

(i) Fireworks Cooperative:

Fireworks Cooperative funds represents unrestricted funds of the various employment activities of the Society.

(ii) Programs:

Program funds represent redistribution and the restricted funds of the various other activities of the Society.

(continues)

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Notes to Financial Statements
Year Ended March 31, 2019

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include the useful life of property and equipment, estimates of accounts payable accruals, and the valuation of contributed goods and services. Estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Investments

Investments consist of marketable securities and term deposits with original maturities over three months.

Marketable securities consist of publicly traded securities. Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Term deposits consist of Guaranteed Income Certificates "GIC's" and are valued at cost plus accrued interest.

Contributed materials and services

Materials and services contributed to the Society are recorded as both revenue and expenses at fair value, when determinable, at the date of the contribution and when the materials and services are used in the normal course of operations and would have otherwise been purchased.

Volunteers contribute their time to assist the Society in carrying out its services. Because of the difficulty in determining their value, donated services are not recognized in these statements.

Financial instruments

Measurement of financial instruments - The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured in fair value. Changes in fair value are recognized in net income. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deposits received.

Impairment - Financial assets measured at cost are tested for impairment only when there are events or indicators of impairment. The amount of the write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the original impairment provision. The amount of the reversal is recognized in net income.

Transaction costs - The Society recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origin.

(continues)

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Notes to Financial Statements
Year Ended March 31, 2019

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

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value on the date of contribution, provided the amount can be reasonably determined. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

| | | |
|------------------------|------|--------------------------|
| Buildings | 2.5% | straight-line method |
| Building improvements | 20% | declining balance method |
| Leasehold improvements | 20% | declining balance method |
| Computer equipment | 20% | declining balance method |
| Furniture | 20% | declining balance method |
| Vehicles | 20% | declining balance method |

The carrying amount of an item of property and equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and is in excess of its fair value.

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

Assets held for sale

Long-lived assets are classified by the Society as an asset held for sale at the point in time when the asset is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period.

Assets to be disposed of are separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The asset and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the statement of financial position.

3. CASH AND CASH EQUIVALENTS

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|-------------------|---------------------|
| Cash deposited in bank accounts | \$ 267,131 | \$ 368,576 |
| Undeposited funds | 75,000 | - |
| Petty cash | 700 | 1,569 |
| High interest savings account | 149,190 | 1,332,287 |
| Scholarship reserve | 27,627 | 21,899 |
| | <u>\$ 519,648</u> | <u>\$ 1,724,331</u> |

A separate bank account is maintained for the scholarship reserve. The funds are received from individual donors and are externally restricted for the purpose of granting scholarships to participants.

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Notes to Financial Statements
Year Ended March 31, 2019

4. INVESTMENTS

| | 2019 | 2018 |
|--------------------------------|-------------------|------|
| <u>Marketable securities</u> | | |
| Marketable securities, at cost | \$ 866,510 | \$ - |
| Fair market value adjustments | 1,723 | - |
| | 868,233 | - |
| | \$ 868,233 | \$ - |

Short-term term deposits consist of GIC's with interest rates ranging from 2.10% to 2.50%, maturing May 11, 2019 to November 11, 2019.

Long-term term deposits consist of GIC's with interest rates ranging from 2.55% to 2.70%, maturing April 23, 2020 to May 11, 2020.

\$260,000 of the investment accounts has been internally restricted by the Board of Directors for use on long-term office lease commitment expenses and \$500,000 has been internally restricted for annual maintenance of fixed assets and future capital expenditures.

5. DEFERRED REVENUE

Deferred revenue relates to contributions received for specific purposes as described. As such these are treated as deferred revenue, with the revenue being recognized as the applicable expenses are incurred.

| | Beginning | Received during the year | Recognized in revenue | Ending |
|---------------------|------------------|-----------------------------|--------------------------|-------------------|
| Government grants | \$ 4,223 | \$ 492,284 | \$ 305,932 | \$ 190,575 |
| Grant funding | 34,822 | 85,000 | 119,822 | - |
| Other contributions | 4,979 | 9,275 | 7,553 | 6,701 |
| | \$ 44,024 | \$ 586,559 | \$ 433,307 | \$ 197,276 |

Included in grants receivable is \$18,425 (2018 - \$15,000) related to a government grant that will not be received until after year end.

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Notes to Financial Statements
Year Ended March 31, 2019

6. PROPERTY AND EQUIPMENT

| | Cost | Accumulated amortization | 2019 Net book value | 2018 Net book value |
|-------------------------------------|---------------------|-----------------------------|---------------------------|---------------------------|
| Buildings | \$ 1,552,957 | \$ 49,686 | \$ 1,503,271 | \$ 1,699,387 |
| Building improvements | 30,878 | 4,837 | 26,041 | 13,073 |
| Leasehold improvements | 55,760 | 14,498 | 41,262 | 51,578 |
| Computer equipment | 29,239 | 28,353 | 886 | 1,965 |
| Furniture | 95,252 | 84,472 | 10,780 | 13,475 |
| Vehicles | 59,233 | 57,964 | 1,269 | 1,813 |
| | <u>\$ 1,823,319</u> | <u>\$ 239,810</u> | <u>\$ 1,583,509</u> | <u>\$ 1,781,291</u> |
| Buildings held for sale | \$ - | \$ - | \$ - | \$ 157,292 |
| Building improvements held for sale | - | - | - | 2,393 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 159,685</u> |

In the prior year, the Society listed certain of the land and building for sale as part of their strategy to relocate program operations and client housing to more functional and sustainable locations. The assets had a carrying value of \$159,685 at the time of listing for sale.

During the year, the Society sold assets held for sale in the prior year for proceeds of \$261,261 (2018 - \$3,522,370). The sale resulted in a gain of \$87,176 (2018 - \$2,850,020) which is included in the Statement of Revenues and Expenditures.

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent unamortized portion of restricted contributions which have been utilized to acquire capital assets. The changes in deferred contributions are as follows:

| | 2019 | 2018 |
|--|-----------------|-------------|
| Contributions received | \$ 10,000 | \$ - |
| Less: Amount amortized during the year | (458) | - |
| | <u>\$ 9,542</u> | <u>\$ -</u> |

8. LOANS AND BORROWINGS

The Society has available a \$40,000 credit card line of credit secured by a General Security Agreement. Interest at 5% together with minimum principal amounts are payable monthly on any outstanding advances.

The balance outstanding on the credit card line of credit at March 31, 2019 was \$14,407 (2018 - \$3,352). These amounts are included in accounts payable and accrued liabilities.

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Notes to Financial Statements
Year Ended March 31, 2019

9. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash and cash equivalents, grants receivable, accounts receivable, goods and services tax recoverable, marketable securities and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short term nature.

The following analysis provides information about the Society's risk exposure and concentration as of March 31, 2019.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk with respect to its accounts receivable and cash. A substantial portion of the accounts receivable are well known, reliable funders and are subject to normal credit risk. Cash is deposited with respectable Canadian commercial banks. The Society is not exposed to significant credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Society will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society manages its liquidity risk by preparing budgets and cash forecasts to ensure it has sufficient funds to fulfil its obligations.

(c) Currency risk

Currency risk is the risk to the Society's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Society is not exposed to significant foreign currency risk from these financial instruments.

(d) 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 Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its floating interest rate bank indebtedness.

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

10. CONTINGENCIES

The Society has been named a defendant in a legal action claiming damages. The claim is not expected to have a material impact on the financial position or operating results of the Society. Accordingly, no provision for losses has been reflected in the accounts of the Society for this matter.

RESET SOCIETY OF CALGARY
(Formerly Servants Anonymous Society of Calgary)
Notes to Financial Statements
Year Ended March 31, 2019

11. COMMITMENTS

The Society has long-term leases with respect to its premises and office equipment. Future minimum lease payments as at March 31, 2019, are as follows:

| | | |
|------------|-----------|----------------|
| 2020 | \$ | 47,000 |
| 2021 | | 52,000 |
| 2022 | | 45,000 |
| 2023 | | 54,000 |
| 2024 | | 63,000 |
| Thereafter | | <u>259,000</u> |
| | <u>\$</u> | <u>520,000</u> |

12. COMPARATIVE FIGURES

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