IMMIGRANT SERVICES CALGARY

Financial Statements of

IMMIGRANT SERVICES CALGARY SOCIETY

And Independent Auditor's Report thereon

Year ended March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Immigrant Services Calgary Society

Opinion

We have audited the accompanying financial statements of Immigrant Services Calgary Society (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2023;
- the statement of operations and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of 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 auditor's report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’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 the 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.

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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 Entity'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 Entity'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 Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

July 10, 2023

IMMIGRANT SERVICES CALGARY SOCIETY

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	General Fund	Special Purposes Fund	2023	2022
Assets				
Current assets:				
Cash and cash equivalents	$ 82,068	$ 671,015	$ 753,083	$ 640,178
Investments (note 5)	–	–	–	664,436
Accounts receivable	1,023,792	–	1,023,792	472,517
Government receivable	733,737	–	733,737	596,668
Prepaid expense	111,460	–	111,460	66,701
	1,951,057	671,015	2,622,072	2,440,500
Rental deposit (note 6)	194,903	–	194,903	160,911
Capital assets (note 7)	5,794,632	–	5,794,632	424,754
	$ 7,940,592	$ 671,015	$ 8,611,607	$ 3,026,165
Liabilities and Fund Balances				
Current liabilities:				
Bank overdraft (note 12(a))	$ 140,198	$ –	$140,198	–
Accounts payable and accruals (note 17)	1,807,343	–	1,807,343	898,323
Deferred contributions (note 8)	820,251	–	820,251	659,741
Current portion of long term debt (note 12)	55,172	–	55,172	–
	2,822,964	–	2,822,964	1,558,064
Deferred capital contributions (note 8)	5,706,260	–	5,706,260	328,731
Long term debt (note 12)	292,515	–	292,515	–
	5,998,775	–	5,998,775	328,731
Fund balances:				
Invested in capital assets	88,372	–	88,372	96,023
Internally restricted (note 9)	–	671,015	671,015	729,396
Unrestricted	(969,519)	–	(969,519)	313,951
	(881,147)	671,015	(210,132)	1,139,370
Economic dependence (note 3)				
Subsequent event (notes 15)				
Contingencies (note 16)				
Commitments (note 11)				
	$ 7,940,592	$ 671,015	$ 8,611,607	$ 3,026,165

See accompanying notes to financial statements.

Approved on behalf of the board:

_______________ Director _______________ Director

IMMIGRANT SERVICES CALGARY SOCIETY

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2023, with comparative information for 2022

	General Fund	Special Purposes Fund	2023	2022
Revenues:				
Program funding (note 4)	$ 11,783,539	$ –	$ 11,783,539	$ 10,328,616
Donations (note 14)	430,569		430,569	936,238
Fund development	483,718	–	483,718	375,886
Casino income	–	–	–	2,351
Interest income	55	6,576	6,631	4,423
Other income (note 12(c))	26,300	–	26,300	–
	12,724,181	6,576	12,730,757	11,647,514
Expenses:				
Salaries and benefits	10,250,674	–	10,250,674	7,829,734
Occupancy costs	823,975	–	823,975	699,931
Office and administrative expenses	1,082,536	–	1,082,536	782,902
Professional fees and program consultants	1,601,399	–	1,601,399	2,080,653
Fund development	86,069	–	86,069	32,467
Conferences and staff development	91,831	–	91,831	83,844
Casino	–	–	–	2,351
Amortization	142,874	–	142,874	116,259
Accretion expense (note 12(c))	900	–	900	–
	14,080,259	–	14,080,259	11,628,141
Excess (deficit) of revenues over expenses	(1,356,078)	6,576	(1,349,502)	19,373
Fund balances, beginning of year	474,931	664,439	1,139,370	1,119,997
Fund balances, end of year	$ (881,147)	$ 671,015	$ (210,132)	$ 1,139,370

See accompanying notes to financial statements.

IMMIGRANT SERVICES CALGARY SOCIETY

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in)		
Operations:		
Excess (deficit) of revenue over expenditure	$ (1,349,502)	$ 19,373
Adjustments for:		
Other income (note 12(c))	(26,300)	–
Accretion expense (note 12(c))	900	–
Depreciation and amortization	142,874	116,259
Amortization of deferred capital contribution (note 8)	(96,754)	(70,704)
	(1,328,782)	64,928
Changes to non-cash working capital:		
Accounts and government receivable	(688,344)	960,093
Prepaid expenses	(44,759)	(32,772)
Deposits	(33,992)	(25,000)
Deferred contributions	160,510	(151,915)
Accounts payable and accrued liabilities	909,020	(738,632)
Cash flows provided by operations	(1,026,347)	76,702
Financing:		
Long term debt	387,200	–
Payment of long term debt	(14,113)	–
Increase in bank overdraft	140,198	–
	513,285	–
Investing:		
Purchase of capital assets	(5,512,752)	(101,508)
Deferred capital contributions received (note 8)	5,474,283	102,508
Purchase of short term investments	–	(164,436)
Sale of short term Investments	664,436	–
	625,967	(163,436)
Increase (decrease) in cash and cash equivalents	112,905	(86,734)
Cash and cash equivalents, beginning of year	640,178	726,912
Cash and cash equivalents, end of year	$ 753,083	$ 640,178

See accompanying notes to the consolidated financial statements.

1. Purpose of the organization:

Immigrant Services Calgary Society (the “Society”) is a not-for-profit organization incorporated under the Societies Act. The Society is committed to being a comprehensive settlement agency working together with immigrants and their families to make Canada home.

The Society is registered as a charitable organization under the Income Tax Act and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered not-for-profit organization, the Society must meet certain requirements within the Income Tax Act. In the opinion of management, these requirements have been met.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (“ASNPO”) in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Fund accounting:

Funds have been established within the accounting and reporting systems as follows:

(i) The General Fund:

To account for the various sources of revenue and expenses related to direct services and administration and to account for capital assets related to general fund activities.

(ii) The Special Purposes Fund:

Internally restricted reserve account to support the ongoing and long-term financial stability of the Society and to maintain the essential functions of the Society. These amounts are not available for other purposes without approval from the Board.

2. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Revenue recognition:

The Society follows the deferral method of accounting for contributions which include donations and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued if collection is reasonably assured. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

2. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at estimated fair value at the date of contribution where such value can be reasonably estimated, otherwise the assets are recorded at a nominal value. Amortization is charged on a straight-line basis over the useful life of the asset. Office furniture is amortized over 10 years, computer and office equipment is amortized over 5 years and leasehold improvements are amortized over the term of the lease.

The carrying amount of an item in capital assets 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 exceeds its fair value.

(e) Contributed services:

Volunteers contribute hours to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(f) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash and short-term investments with an original maturity date at the time of acquisition of three months or less.

(g) Government assistance:

Government assistance is recorded as other income in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Society or the nature of the expenditures which give rise to the credit. Government assistance is recorded when the receipt is reasonably assured.

(h) Use of estimates:

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful life of capital assets for amortization purposes and the collectability of accounts receivable. Actual results could differ from those estimates.

3. Economic dependence:

The Society receives the majority of revenue in the form of program funding from government and other charitable organizations (note 4). The Society is dependent upon the continued support of these funders whose contributions are used to meet the current and future operating costs of the Society.

4. Revenue:

	2023	2022
Federal Government	$ 8,924,405	$ 7,444,218
Provincial and Territorial Governments	1,265,810	1,618,328
Municipal/Regional Governments	480,563	774,636
Other Registered charities	1,054,427	439,533
Other program funding	58,334	51,901
	11,783,539	10,328,616
Other revenue	947,218	1,318,898
	$ 12,730,757	$ 11,647,514

5. Investments:

Investments are comprised of term deposits and related accrued interest. Investments that relate to the Special Purpose Fund are internally restricted. Interest on Special Purpose Fund investments accumulates as an internally restricted investment. Any transfer from the Special Purposes Fund to the General Fund must be approved by the Board of Directors. As at March 31, 2023, the Society has no amounts invested and had $664,436 as at March 31, 2022 in a short term guaranteed investment certificate.

6. Rental deposit:

As at March 31, 2023, a rental deposit of $194,903 (2022 – $160,911) is held by the Landlord as security for the performance of the Society's obligations under its premises lease agreement.

7. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer and office equipment	$ 1,713,718	$ 794,009	$ 919,709	$ 317,225
Office furniture	819,335	377,898	441,437	107,529
Leasehold improvements	4,601,317	167,831	4,433,486	–
Balance, end of year	$ 7,134,370	$ 1,339,738	$ 5,794,632	$ 424,754

8. Deferred contributions and deferred capital contributions:

Deferred contributions reported in the General Fund relate to externally restricted operating funding received in the current year for subsequent years' expenses. These contributions must be used for specific purposes designated by the various funders. Agreements representing $820,251 (2022 – $659,741) in deferred contributions require that unexpended funds be returned at the end of the funding period. Management expects to utilize these funds in the Society's programs by the end of the related funding periods.

Deferred capital contributions reported in the General Fund relate to contributions received and used for the purchase of capital assets. Deferred capital contributions are amortized into revenue at a rate corresponding with the amortization rate of the assets purchased.

The change in the deferred capital contribution balance is as follows:

	2023	2022
Balance, beginning of year	$ 328,731	$ 296,927
Contributions received during the year	5,474,283	102,508
Amortization of deferred capital contributions	(96,754)	(70,704)
Balance, end of year	$ 5,706,260	$ 328,731

9. Restricted funds:

(a) Externally restricted funds:

Funds raised through casinos are restricted by the Alberta Gaming and Liquor Commission to be used for the purposes stated in the Society's approved casino application. The primary restriction is that these funds be used for rent, office furnishings, equipment, volunteer development and travel costs. During the year, $221,081 (2022 – $nil) was used to support purchase of hardware to support the organizational transformation.

(b) Internally restricted funds:

The Society's Board of Directors has internally restricted resources amounting to $671,015 (2022 – $729,396) to be used with the Board's approval for either essential functions or strategic matters of the Society. During the year, $nil (2022 – $nil) was transferred from the Special Purposes Fund to the General Fund for this purpose.

10. Financial instruments and related risks:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Society is exposed to interest rate risk with respect to its investments (note 5). The Society seeks to minimize risk from interest rate fluctuations by investing in term deposits with fixed interest rates.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to its cash and cash equivalents, investments and accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Society mitigates credit risk by holding its cash and investments with high quality financial institutions. The maximum exposure to credit risk on these instruments is their carrying value.

(c) Liquidity risk:

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

11. Commitments:

The Society has a long-term lease for its premises which expires on March 31, 2035. The Society also leases office equipment. The minimum lease payments, excluding operating costs are as follows:

	Building	Office equipment
2024	$ 353,016	$ 17,350
2025	501,432	17,350
2026	501,432	17,350
2027	585,004	17,350
2028	585,004	–
2029–2035	4,680,032	–

12. Debt Facilities:

(a) The Society has a credit agreement for a revolving line of credit available to a maximum of $1,500,000 (2022 – $500,000) of which $140,198 (2022 – $nil) was drawn at year end. The line of credit is secured by a general security agreement and bears interest at the bank's prime rate plus 0.50%. The bank's prime rate at March 31, 2023 was 6.7% (2022 – 2.7%).

(b) The Society secured a $250,000 loan from the Calgary Foundation. The loan is to be repaid in 28 payments of $11,380 quarterly with interest calculated at 7% per annum starting August 2022. The loan matures July 2029. The loan facility is subject to a loan coverage ratio which requires "that Cash & Cash Equivalents in the Special Purpose Fund are equivalent to, or greater than, the principal amount and interest accruing thereto". The loan is collateralized by a general security agreement covering all assets of the Society.

For the year ended March 31, 2023, interest expense of $8,628 (2022 – $nil) was recorded in the statement of operations and changes in fund balances. As at March 31, 2023, the Society had $235,887 (2022 – $nil) outstanding under this facility.

12. Debt facilities (continued):

(c) The Society entered into an agreement for a loan from the University Technologies International for $137,200. The loan is repayable over a period of 10 years until January 31, 2033. Repayment is calculated at 2.5% of earnings from the authorized purpose being the Society's Interpretation & Translation Centre. There are no financial covenants associated with the loan. The loan is interest free. The fair value of the loan at inception was $110,900 using a 7% discount rate, with the difference of $26,300 accounted for as other income in the statement of operations and changes in fund balances. The accretion on the loan in 2023 was $900 (2022 – $nil).

As at March 31, 2023, the Society had $137,200 (2022 – $nil) outstanding under the facility.

	2023	2022
Calgary Foundation	$ 235,887	$ –
University Technologies International	137,200	–
Closing balance	373,087	–
Less: fair value discount	(25,400)	–
Less: Amount payable within one year	(55,172)	–
Long term	$ 292,525	$ –

13. Government assistance:

The Government of Canada has implemented the COVID-19 Economic Response Plan. Under the plan, the Society is eligible for the Canada Emergency Wage Subsidy ("CEWS") in which Canadian businesses impacted by COVID-19 may be eligible for certain wage subsidies. For the year ended March 31, 2023, the Society was eligible and recognized $nil (2022 – $301,667) under the CEWS program as other income in the statement of operations.

The Government of Canada has also implemented the COVID-19 Economic Response Plan and the Society is eligible for the Canada Emergency Rent Subsidy ("CERS"). Under this plan, Canadian businesses impacted by COVID-19 may be eligible for a subsidy to cover part of their commercial rent or property expenses. For the year ended March 31, 2023, the $nil (2022 – $98,197) received under the CERS in included in donations in the statement of operations.

14. Additional disclosures:

The Society is registered under the Charitable Fund-raising Act (the "Act") and discloses additional financial information in accordance with sections of the Act. Expenses incurred by the Society during 2023 and 2022 for the purpose of soliciting contributions are considered to be nominal.

15. Subsequent event:

The Society has renewed its funding agreement with Immigration, Refugees and Citizenship Canada ("IRCC") for a period of five years starting April 2020, in support of various programs. Total contribution from the IRCC over the five year period is expected to be $32,643,854. On May 17, 2023, the Society received $2,679,185 of advance funding from the IRCC for the first four months for 2023/24 fiscal year in accordance with terms of the renewed funding agreement.

16. Contingencies:

The Society is involved in various claims and litigations arising in the normal course of business primarily relating to former employees. The Society accrues for anticipated settlement losses, if any, when such can be reasonably estimated. While the outcome of these matters is uncertain and there is no assurance that such matters will be resolved in the Society's favour, the Society currently believes that adverse outcomes, if any, would not have a material impact on its financial position, results of operations or liquidity.

17. Government remittances:

Included in accounts payable and accruals are government remittances payable of $43,833 (2022 – $12,181), relating to GST and payroll related taxes.