Financial Statements of

GOODWILL INDUSTRIES OF ALBERTA

Year ended December 31, 2013

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of Goodwill Industries of Alberta

We have audited the accompanying financial statements of Goodwill Industries of Alberta, which comprise the statement of financial position as at December 31, 2013, the statements of operation, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Goodwill Industries of Alberta as at December 31, 2013, 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.

KPMG LLP

Chartered Accountants

April 15, 2014
Edmonton, Canada

GOODWILL INDUSTRIES OF ALBERTA
Financial Statements

Year ended December 31, 2013

GOODWILL INDUSTRIES OF ALBERTA

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

		2013		2012
Revenues				
Commercial	$	**18,446,374**	$	18,090,637
Provincial contract fees		**2,208,589**		2,108,213
United Way		**177,728**		174,991
Donations, grants and contributions		**81,848**		148,360
Amortization of deferred capital contributions		**62,167**		55,857
Unrealized gain on investments		**12,448**		12,736
Interest revenue		**4,963**		3,503
		20,994,117		20,594,297
Expenses				
Human resource costs (note 14)		**13,291,714**		12,992,010
Physical resource costs (note 14)		**5,397,023**		5,115,306
Other operating costs (note 14)		**1,663,814**		1,573,217
Amortization of property and equipment		**523,050**		461,945
Material costs (note 14)		**426,964**		337,304
		21,302,565		20,479,782
(Deficiency) excess of revenues over expenses	$	**(308,448)**	$	114,515

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA

Statement of Financial Position

December 31, 2013, with comparative information for 2012

		2013		2012
ASSETS				
Current				
Cash and cash equivalents	**$**	**685,805**	$	954,184
Investments (note 3)		**317,736**		207,199
Accounts receivable		**194,258**		270,841
Inventory		**6,630**		7,190
Prepaid expenses and deposits		**49,995**		56,895
		1,254,424		1,496,309
Investments (note 3)		**219,524**		317,613
Prepaid expenses and deposits		**317,811**		319,641
Property and equipment (note 4)		**2,324,810**		2,617,059
	$	**4,116,569**	$	4,750,622
LIABILITIES				
Current				
Accounts payable and accrued liabilities (note 11)	**$**	**1,483,988**	$	1,338,910
Deferred revenues		**77,208**		67,486
Deferred contributions (note 6)		**130,768**		326,898
Current portion of obligations under capital lease (note 8)		**20,244**		19,397
		1,712,208		1,752,691
Deferred capital contributions (note 7)		**122,447**		184,614
Obligations under capital lease (note 8)		**38,725**		58,961
Accrued benefit liability (note 10)		**-**		24,000
Straight-line rent and tenant inducements payable (note 9)		**1,504,531**		1,683,250
		3,377,911		3,703,516
Net assets		**738,658**		1,047,106
	$	**4,116,569**	$	4,750,622

Commitments (note 12)

See accompanying notes to financial statements.

On behalf of the Board:

______________________________, Director ______________________________, Director

GOODWILL INDUSTRIES OF ALBERTA

Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

2013		Unrestricted		Investment in property and equipment		**Total**
Net assets, beginning of year	$	(1,306,980)	$	2,354,086	**$**	**1,047,106**
Excess (deficiency) of revenues over expenses		152,435		(460,883)		**(308,448)**
Investment in property and equipment		(250,191)		250,191		**-**
Net assets, end of year	$	(1,404,736)	$	2,143,394	**$**	**738,658**

2012		Unrestricted		Investment in property and equipment		Total
Net assets, beginning of year	$	(1,043,436)	$	1,976,027	$	932,591
Excess (deficiency) of revenues over expenses		520,603		(406,088)		114,515
Investment in property and equipment		(784,147)		784,147		-
Net assets, end of year	$	(1,306,980)	$	2,354,086	$	1,047,106

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

		2013		2012
Cash provided by (used in):				
Operating activities:				
(Deficiency) excess of revenues over expenses	**$**	**(308,448)**	$	114,515
Amortization of property and equipment		**523,050**		461,945
Straight-line rent (note 9)		**(80,420)**		210,021
Amortization of deferred capital contributions (note 7)		**(62,167)**		(55,857)
Amortization of deferred tenant inducements (note 9)		**(153,864)**		(142,973)
		(81,849)		587,651
Change in non-cash operating working capital				
Accounts receivable		**76,583**		(146,233)
Inventory		**560**		1,716
Prepaid expenses and deposits		**6,900**		60,337
Non-current prepaid expenses and deposits		**1,830**		3,909
Accounts payable and accrued liabilities		**145,078**		(111,661)
Accrued benefit liability		**(24,000)**		-
Deferred revenue		**9,722**		(57,181)
Deferred contributions		(**196,130)**		288,247
		(61,306)		626,785
Financing activities:				
Repayment of obligations under capital lease		**(19,389)**		(17,592)
Deferred capital contributions (note 7)		**-**		37,786
Tenant inducement received (note 9)		**55,565**		404,074
		36,176		424,268
Investing activities:				
Unrealized gain on investments		**(12,448)**		(24,812)
Purchase of property and equipment		**(230,801)**		(804,342)
		(243,249)		(829,154)
Net increase (decrease) in cash and cash equivalents		**(268,379)**		221,899
Cash and cash equivalents, beginning of year		**954,184**		732,285
Cash and cash equivalents, end of year	**$**	**685,805**	$	954,184
Supplemental cash flow information:				
Cash interest paid	**$**	**7,404**	$	8,943
Cash and cash equivalents are represented by:				
Cash	**$**	**12,350**	$	12,050
Bank balances, net of outstanding cheques		**673,455**		942,134
	$	**685,805**	$	954,184

See accompanying notes to financial statements.

1. Purpose of the organization

Goodwill Industries of Alberta (the "Society") is a non-profit entity incorporated without share capital under the Societies Act of Alberta. The Society is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Revenue recognition

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

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. United Way and grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts. Bank borrowings are considered to be financing activities.

(c) Inventory

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

Materials purchased for resale are valued at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price less estimated selling costs. Cost is determined on a first in, first out basis.

2. Significant accounting policies (continued)

(d) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and other office electronic equipment	3 years
Furniture and equipment	10 years
Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

(e) Employee future benefits

The Society has a defined contribution plan that is funded by the employee and employer on a shared basis. The Society also has a defined benefit plan covering certain employees that was funded entirely by the Society. These plans provide pension, other retirement and post-employment benefits to most of the Society's employees.

Contributions to the defined contribution plan for current service are recognized when the contribution is paid (or payable) based on pay dates.

The Society uses the immediate recognition approach to account for the defined benefit plan. The actuarial determination of the accrued benefit obligations for pension uses the projected benefit method prorated on service (which incorporates management's best assumptions used for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). Since benefits under the defined benefit plan were frozen at December 31, 2005, the total projected benefits are calculated as the sum of the benefits accrued to December 31, 2005 on a career average basis. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The Society measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2013.

In years between valuations, the Society uses a roll-forward technique to estimate the accrued benefit obligation. The Society recognizes the accrued benefit obligations net of the fair value of the plan assets adjusted for any valuation allowance in the statement of financial position at the end of the year. The cost of the plan, comprising of (i) changes in the accrued benefit obligation other than those resulting from benefit payments to plan members and net of any employee contributions; ii) the actual return on plan assets; and (iii) the change in the valuation allowance is recorded in income.

2. Significant accounting policies (continued)

(e) Employee future benefits (continued)

Actuarial gains (losses) on plan assets and past service costs arising from plan amendments are immediately recognized into income at the date of the amendment.

(f) Leases and tenant inducements

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

(g) 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 elected to carry its investments at fair value.

Transactions 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 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.

(h) Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

2. Significant accounting policies (continued)

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, rates and methods to calculate amortization, assets and obligations related to employee future benefits, accrued liabilities related to tenant inducements and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. Investments

		2013		2012
Investment cash account	**$**	**55**	$	98
Investment savings account		**209,740**		102,856
Corporate guaranteed investment certificate with stated annually compounding interest rate of 2.70% maturing in 2014 (2012 – rate 2.25% maturing in 2013)		**107,941**		104,245
		317,736		207,199
Corporate guaranteed investment certificates with stated annually compounding interest rates of 3.1% - 3.5% (2012 – 2.7% - 3.5%) with maturity dates up to 2016		**219,524**		317,613
	$	**537,260**	$	524,812

4. Property and equipment

2013		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	214,136	$	177,335	$	**36,801**
Furniture and equipment		1,410,475		757,389		**653,086**
Vehicles		104,124		74,461		**29,663**
Leasehold improvements		3,170,394		1,565,134		**1,605,260**
Total property and equipment	$	4,899,129	$	2,574,319	$	**2,324,810**

2012		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	201,054	$	155,697	$	45,357
Furniture and equipment		1,401,938		662,164		739,774
Vehicles		104,124		54,233		49,891
Leasehold improvements		3,005,375		1,223,338		1,782,037
Total property and equipment	$	4,712,491	$	2,095,432	$	2,617,059

During the year, the Society wrote off fully amortized assets. Reductions to cost and accumulated amortization were $44,164 (2012 - $64,005).

Furniture and equipment includes assets under capital lease with a cost of $258,805 (2012 - $258,805) and accumulated amortization of $146,263 (2012 - $121,082).

5. Credit facility

The Society has a demand operating loan available to a maximum of $700,000 (2012- $700,000) of which $nil (2012 - $nil) has been advanced. The facility bears interest at the bank's prime rate plus 0.25% (2012 – prime rate plus 0.25%). Security has been provided for the demand loan as follows:

(a) General assignment of debts registered in Alberta.
(b) Fixed and floating charge debenture, in the amount of $400,000, on all major equipment at year-end. The carrying value of furniture and equipment as at December 31, 2013 is $653,086 (2012 – $739,774).
(c) A $500,000 investment portfolio of securities supported by a security agreement constituting a first ranking security interest in the securities.

6. Deferred contributions

Deferred contributions relate to provision of services to Ministries of the Government of Alberta. Changes in deferred contributions are as follows:

		2013		2012
Balance, beginning of year	**$**	**326,898**	$	38,651
Contributions received		**2,012,459**		2,396,460
Contributions recognized as revenue		**(2,208,589)**		(2,108,213)
Balance, end of year	**$**	**130,768**	$	326,898

7. Deferred capital contributions

Changes in deferred capital contributions are as follows:

		2013		2012
Balance, beginning of year	**$**	**184,614**	$	202,685
Additional contributions received		**-**		37,786
Contributions recognized as revenue		**(62,167)**		(55,857)
Balance, end of year	**$**	**122,447**	$	184,614

8. Obligations under capital leases

		2013		2012
National Leasing	**$**	**55,190**	$	70,434
ARPAC		**3,779**		7,924
		58,969		78,358
Less current portion		**(20,244)**		(19,397)
	$	**38,725**	$	58,961

National Leasing, payable in 60 monthly payments of $1,641 plus GST, 6.7% nominal annual rate, due January 2017, secured by a pre-crusher with net book value of $68,558 (2012 - $76,252).

ARPAC, payable in 36 monthly payments of $384 plus GST, 10.3% nominal rate, due October 2014, secured by a forklift with a net book value of $9,178 (2012 - $10,387).

Future minimum lease payments in each of the next four years are as follows:

2014	23,533
2015	19,693
2016	19,693
2017	1,641
	64,560
Less amount representing interest	(5,591)
	$ 58,969

9. Straight-line rent and tenant inducements payable

		2013		2012
Tenant inducements	$	**766,630**	$	864,929
Straight-line rent		**737,901**		818,321
	$	**1,504,531**	$	1,683,250

During the year, the Society received $55,565 (2012 - $404,074) in tenant inducements and recognized $153,864 (2012 - $142,973) of amortization of deferred tenant inducements as a reduction in rent expense. In addition, during the year the Society recognized net straight-line rent income of $80,420 (2012 - $210,021 in expense).

10. Employee future benefits

Information about the Society's defined benefit plan is as follows:

		2013		2012
Accrued benefit obligation	$	**(620,000)**	$	(701,000)
Fair value of plan assets		**744,000**		677,000
Accrued benefit (liability) asset		**124,000**		(24,000)
Less: Valuation allowance		**(124,000)**		-
Accrued benefit (liability), net of valuation allowance	$	**-**	$	(24,000)

		2013		2012
Employer contributions	$	**19,345**	$	14,771
Benefits paid	$	**45,369**	$	80,746

Information about the Society's defined contribution plan as at December 31 is as follows:

		2013		2012
Employer contributions	$	**230,819**	$	221,840

Pension expenses are included in employee benefits costs in note 14.

10. Employee future benefits (continued)

On October 15, 2013, the Trustee approved the termination of the defined contribution plan effective December 31, 2013. Notices of defined contribution plan termination were sent to Canada Revenue Agency, Alberta Finance and Enterprise and all active defined contribution plan members on November 15, 2013 stating that contributions into the defined contribution plan would no longer be made after December 31, 2013. Following approval by these agencies, funds will be disbursed out of the defined contribution plan subject to statutory limitations, following which the defined contribution plan will be deregistered.

In mid-2014, the Society expects to give notice of termination and settlement to Canada Revenue Agency, Alberta Finance and Enterprise and all members of the defined benefit plan. Following approval by these agencies, funds will be disbursed out of the defined benefit plan subject to statutory limitations, following which the defined benefit plan will be deregistered. At December 31, 2013, the defined benefit plan surplus at final settlement is unknown and whether or not any remaining fund surplus will be returned to the Society is undeterminable.

11. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $117,032 (2012 - $105,390) which includes payroll related taxes.

12. Commitments

	Premises base rent	Vehicles and equipment rent	**Total**
2014	$ 3,600,143	$ 101,767	**$ 3,701,910**
2015	$ 3,514,134	$ 75,386	**$ 3,589,520**
2016	$ 2,816,317	$ 36,571	**$ 2,852,888**
2017	$ 2,293,109	$ 14,805	**$ 2,307,914**
2018	$ 1,503,788	$ 4,882	**$ 1,508,670**

13. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk arises from the possibility that the entities to which the Society sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance.

(b) Interest rate risk

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2013, the demand operating loan was not drawn on and in management's opinion, the Society is not exposed to significant interest rate risk.

(c) Foreign currency risk

Foreign currency risk relates to holding funds in a US bank account used to pay US suppliers. Funds are from US sales of books sold on the internet. Because of the materiality amount, it is management's opinion the Society is not exposed to significant foreign currency risk.

14. Operating expenses

Further details of operating expenses include the following:

		2013		2012
Human resource costs				
Salaries and wages	**$**	**11,792,042**	$	11,275,580
Employee benefits		**1,309,751**		1,252,443
Contract labour		**139,126**		393,588
Training, recruitment and other costs		**74,795**		70,399
Defined benefit pension recovery		**(24,000)**		-
	$	**13,291,714**	$	12,992,010
Physical resource costs				
Rent and other occupancy costs	**$**	**4,247,256**	$	4,087,556
Repairs and maintenance		**558,969**		457,614
Utilities		**367,673**		332,619
Telephone and communications		**151,460**		167,748
Insurance		**71,665**		69,769
	$	**5,397,023**	$	5,115,306
Other costs				
Disposal fees	**$**	**510,262**	$	453,388
Vehicle leases and rentals		**286,924**		299,166
Audit and professional fees		**217,828**		200,692
Advertising and promotion		**161,956**		165,755
Fees and other dues		**146,382**		121,728
Interest and bank charges		**131,813**		113,873
Travel		**106,961**		119,963
Affiliation dues		**67,059**		65,865
Postage and delivery		**31,883**		25,455
Interest on capital lease		**4,282**		5,933
Foreign exchange (gain) loss		**(1,536)**		1,399
	$	**1,663,814**	$	1,573,217
Materials costs				
Supplies	**$**	**409,001**	$	318,744
Materials		**17,963**		18,560
	$	**426,964**	$	337,304

15. Comparative Figures

Certain comparative figures have been restated to conform with current year's presentation.

Financial Statements of

GOODWILL INDUSTRIES OF ALBERTA

Year ended December 31, 2014

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of Goodwill Industries of Alberta

We have audited the accompanying financial statements of Goodwill Industries of Alberta, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Goodwill Industries of Alberta as at December 31, 2014, 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.

KPMG LLP

Chartered Accountants

April 21, 2015
Edmonton, Canada

GOODWILL INDUSTRIES OF ALBERTA

Financial Statements

Year ended December 31, 2014

GOODWILL INDUSTRIES OF ALBERTA

Statement of Financial Position

December 31, 2014, with comparative information for 2013

		2014		2013
ASSETS				
Current				
Cash and cash equivalents	**$**	**537,968**	$	685,805
Investments (note 3)		**320,756**		317,736
Accounts receivable		**208,843**		194,258
Inventory		**1,785**		6,630
Prepaid expenses and deposits		**32,625**		49,995
		1,101,977		1,254,424
Investments (note 3)		**226,770**		219,524
Prepaid expenses and deposits		**333,297**		317,811
Property and equipment (note 4)		**2,338,481**		2,324,810
	$	**4,000,525**	$	4,116,569
LIABILITIES				
Current				
Accounts payable and accrued liabilities (note 11)	**$**	**1,918,956**	$	1,483,988
Deferred revenues		**57,902**		77,208
Deferred contributions (note 6)		**57,271**		130,768
Current portion of obligations under capital lease (note 8)		**17,800**		20,244
		2,051,929		1,712,208
Deferred capital contributions (note 7)		**128,702**		122,447
Obligations under capital lease (note 8)		**21,122**		38,725
Straight-line rent and tenant inducements payable (note 9)		**1,263,527**		1,504,531
		3,465,280		3,377,911
Net assets		**535,245**		738,658
	$	**4,000,525**	$	4,116,569

Commitments (note 12)

See accompanying notes to financial statements.

On behalf of the Board:

________________________________, Director ________________________________, Director

GOODWILL INDUSTRIES OF ALBERTA

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Revenues		
Commercial	**$ 19,225,212**	$ 18,446,374
Provincial contract fees (note 6)	**2,489,045**	2,208,589
United Way	**156,856**	177,728
Donations, grants and contributions	**67,483**	81,848
Amortization of deferred capital contributions	**62,446**	62,167
Unrealized gain on investments	**10,266**	12,448
Interest revenue	**284**	4,963
	22,011,592	20,994,117
Expenses		
Human resource costs (note 14)	**13,664,328**	13,291,714
Occupancy costs (note 14)	**5,654,644**	5,397,023
Other operating costs (note 14)	**1,839,774**	1,663,814
Amortization of property and equipment	**595,072**	523,050
Material costs (note 14)	**461,187**	426,964
	22,215,005	21,302,565
(Deficiency) of revenues over expenses	**$ (203,413)**	$ (308,448)

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA

Statement of Changes in Net Assets

Year ended December 31, 2014, with comparative information for 2013

2014		Unrestricted		Investment in property and equipment		**Total**
Net assets, beginning of year	$	(1,404,736)	$	2,143,394	**$**	**738,658**
Excess (deficiency) of revenues over expenses		329,213		(532,626)		**(203,413)**
Investment in property and equipment		(560,089)		560,089		**-**
Net assets, end of year	$	(1,635,612)	$	2,170,857	**$**	**535,245**

2013		Unrestricted		Investment in property and equipment		Total
Net assets, beginning of year	$	(1,306,980)	$	2,354,086	$	1,047,106
Excess (deficiency) of revenues over expenses		152,435		(460,883)		(308,448)
Investment in property and equipment		(250,191)		250,191		-
Net assets, end of year	$	(1,404,736)	$	2,143,394	$	738,658

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
(Deficiency) of revenues over expenses	**$ (203,413)**	$ (308,448)
Amortization of property and equipment	**595,072**	523,050
Straight-line rent (note 9)	**(91,081)**	(80,420)
Amortization of deferred capital contributions (note 7)	**(62,446)**	(62,167)
Amortization of deferred tenant inducements (note 9)	**(149,923)**	(153,864)
	88,209	(81,849)
Change in non-cash operating working capital		
Accounts receivable	**(14,585)**	76,583
Inventory	**4,845**	560
Prepaid expenses and deposits	**17,370**	6,900
Non-current prepaid expenses and deposits	**(15,486)**	1,830
Accounts payable and accrued liabilities	**434,968**	145,078
Accrued benefit liability	**-**	(24,000)
Deferred revenues	**(19,306)**	9,722
Deferred contributions	**(73,497)**	(196,130)
	422,518	(61,306)
Financing activities:		
Repayment of obligations under capital lease	**(20,047)**	(19,389)
Capital contributions received (note 7)	**68,701**	-
Tenant inducement received (note 9)	**-**	55,565
	48,654	36,176
Investing activities:		
Unrealized gain on investments	**(10,266)**	(12,448)
Purchase of property and equipment	**(608,743)**	(230,801)
	(619,009)	(243,249)
Net decrease in cash and cash equivalents	**(147,837)**	(268,379)
Cash and cash equivalents, beginning of year	**685,805**	954,184
Cash and cash equivalents, end of year	**$ 537,968**	$ 685,805
Supplemental cash flow information:		
Cash interest paid	**$ 9,085**	$ 7,404

See accompanying notes to financial statements.

1. Purpose of the organization

Goodwill Industries of Alberta (“Goodwill”) is a non-profit entity incorporated without share capital under the Societies Act of Alberta. Goodwill is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Revenue recognition

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

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. United Way and grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts. Bank borrowings are considered to be financing activities.

(c) Inventory

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

Materials purchased for resale are valued at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price less estimated selling costs. Cost is determined on a first in, first out basis.

2. Significant accounting policies (continued)

(d) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to Goodwill’s ability to provide services, its carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and electronic equipment	3 years
Furniture and equipment	10 years
Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

(e) Employee future benefits

Prior to December 31, 2013, Goodwill had a defined contribution plan that was funded by the employee and employer on a shared basis. Goodwill also had a defined benefit plan covering certain employees that was funded entirely by Goodwill. These plans provided pension, other retirement and post-employment benefits to most of Goodwill’s employees. Effective December 31, 2013, the Trustee approved the termination of both plans and both plans began to wind-down following approval from regulatory agencies. Effective January 1, 2014, Goodwill established a group Registered Retirement Savings Plan (Group RRSP) that is funded by the employee and the employer on a shared basis.

Contributions to the Group RRSP for current service is recognized when the contribution is paid (or payable) based on pay dates.

(f) Leases and tenant inducements

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

2. Significant accounting policies (continued)

(g) 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. Goodwill has elected to carry its investments at fair value.

Transactions 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, Goodwill 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 expected cash flows, the amount that could be realized from selling the financial asset or the amount Goodwill 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.

(h) Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, rates and methods to calculate amortization, assets and obligations related to employee future benefits, accrued liabilities related to tenant inducements and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. Investments

		2014		2013
Investment cash account	**$**	**108,389**	$	55
Investment savings account		**212,367**		209,740
Corporate guaranteed investment certificate with stated annually compounding interest rate of 2.70% matured in 2014		-		107,941
		320,756		317,736
Corporate guaranteed investment certificates with stated annually compounding interest rates of 3.1% - 3.5% (2013 – 3.1% - 3.5%) with maturity dates up to 2016		**226,770**		219,524
	$	**547,526**	$	537,260

4. Property and equipment

2014		Cost		Accumulated Amortization		**Net Book Value**
Computers and electronic equipment	$	229,250	$	195,844	**$**	**33,406**
Furniture and equipment		1,452,736		828,610		**624,126**
Vehicles		133,374		59,339		**74,035**
Leasehold improvements		3,582,156		1,975,242		**1,606,914**
Total property and equipment	$	5,397,516	$	3,059,035	**$**	**2,338,481**

2013		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	214,136	$	177,335	$	36,801
Furniture and equipment		1,410,475		757,389		653,086
Vehicles		104,124		74,461		29,663
Leasehold improvements		3,170,394		1,565,134		1,605,260
Total property and equipment	$	4,899,129	$	2,574,319	$	2,324,810

During the year, Goodwill wrote off fully amortized assets. Reductions to cost and accumulated amortization were $110,356 (2013 - $44,164).

Furniture and equipment includes assets under capital lease with a cost of $258,805 (2013 - $258,805) and accumulated amortization of $172,196 (2013 - $146,263).

5. Credit facility

Goodwill has a demand operating loan available to a maximum of $700,000 (2013- $700,000) of which $nil (2013 - $nil) has been advanced. The facility bears interest at the bank's prime rate plus 0.25% (2013 – prime rate plus 0.25%). Security has been provided for the demand loan as follows:

(a) General assignment of debts registered in Alberta.
(b) Fixed and floating charge debenture, in the amount of $400,000, on all major equipment at year-end. The carrying value of furniture and equipment as at December 31, 2014 is $624,126 (2013 – $653,086).
(c) A $500,000 investment portfolio of securities supported by a security agreement constituting a first ranking security interest in the securities.

6. Deferred contributions

Deferred contributions relate to provision of services to Ministries of the Government of Alberta. Changes in deferred contributions are as follows:

		2014		2013
Balance, beginning of year	**$**	**130,768**	$	326,898
Contributions received		**2,415,548**		2,012,459
Contributions recognized as revenue		**(2,489,045)**		(2,208,589)
Balance, end of year	**$**	**57,271**	$	130,768

7. Deferred capital contributions

Changes in deferred capital contributions are as follows:

		2014		2013
Balance, beginning of year	**$**	**122,447**	$	184,614
Contributions received		**68,701**		-
Contributions recognized as revenue		**(62,446)**		(62,167)
Balance, end of year	**$**	**128,702**	$	122,447

8. Obligations under capital leases

		2014		2013
National Leasing	**$**	**38,922**	$	55,190
ARPAC		**-**		3,779
		38,922		58,969
Less current portion of obligation under capital lease		**(17,800)**		(20,244)
	$	**21,122**	$	38,725

National Leasing, payable in 60 monthly payments of $1,641 plus GST, 6.7% nominal annual rate, due January 2017, secured by a pre-crusher with net book value of $58,764 (2013 - $68,558).

ARPAC, payable in 36 monthly payments of $384 plus GST, 10.3% nominal rate, due October 2014, secured by a forklift with a net book value of $7,969 (2013 - $9,178).

Future minimum lease payments in each of the next three years are as follows:

2015		19,692
2016		19,692
2017		1,641
		41,025
Less amount representing interest		(2,103)
	$	38,922

9. Straight-line rent and tenant inducements payable

		2014		2013
Tenant inducements	**$**	**616,707**	$	766,630
Straight-line rent		**646,820**		737,901
	$	**1,263,527**	$	1,504,531

During the year, Goodwill received $nil (2013 - $55,565) in tenant inducements and recognized $149,923 (2013- $153,864) of amortization of deferred tenant inducements as a reduction in rent expense. In addition, during the year Goodwill recognized net straight-line rent income of $91,081 (2013 - $80,420).

10. Employee future benefits

Information about the Goodwill's defined benefit plan is as follows:

	2014	2013
Accrued benefit obligation	**$ (198,000)**	$ (620,000)
Fair value of plan assets	177,000	744,000
Accrued benefit (liability) asset	**(21,000)**	124,000
Less: Valuation allowance	**-**	(124,000)
Accrued benefit (liability) asset, net of valuation allowance	**$ (21,000)**	$ -

	2014	2013
Employer contributions	**$ -**	$ 19,345
Benefits paid	**$ -**	$ 45,369

Information about the Society's defined contribution plan as at December 31 is as follows:

	2014	2013
Employer contributions	**$ -**	$ 230,819

Pension expenses are included in employee benefits expenses in note 14.

On October 15, 2013, the Trustee approved the termination of the defined benefit plan and the defined contribution plan effective December 31, 2013. Notices of plan termination were sent to Canada Revenue Agency, Alberta Finance and Enterprise and all active defined benefit and defined contribution plan members stating that contributions into the defined contribution plan would no longer be made after December 31, 2013.

During the year, funds were disbursed out of the defined benefit plan and defined contribution plan for all active employees subject to statutory limitations. Following the disbursement of any remaining funds, which is expected to be substantially completed by December 31, 2015, both plans will be deregistered. Goodwill does not expect a significant plan deficiency or plan surplus following full disbursement of member funds.

11. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $125,209 (2013 - $117,032) which includes payroll related taxes.

12. Commitments

	Premises base rent	Vehicles and equipment rent	**Total**
2015	$ 3,849,560	$ 55,200	**$ 3,904,760**
2016	3,433,954	16,385	**3,450,339**
2017	3,117,322	13,122	**3,130,444**
2018	2,349,864	4,882	**2,354,746**
2019	2,011,748	808	**2,012,556**

13. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk arises from the possibility that the entities to which Goodwill sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance.

(b) Interest rate risk

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2014, the demand operating loan was not drawn on and in management's opinion, Goodwill is not exposed to significant interest rate risk.

(c) Foreign currency risk

Foreign currency risk relates to holding funds in a US bank account used to pay US suppliers. Funds are from US sales of books sold on the internet. Because of the materiality amount, it is management's opinion Goodwill is not exposed to significant foreign currency risk.

14. Operating expenses

Further details of operating expenses include the following:

		2014		2013
Human resource costs				
Salaries and wages	**$**	**12,053,011**	$	11,792,042
Employee benefits		**1,315,388**		1,309,751
Contracted labour		**167,849**		139,126
Training, recruitment and other costs		**128,080**		74,795
Defined benefit pension recovery		**-**		(24,000)
	$	**13,664,328**	$	13,291,714
Occupancy costs				
Rent and other occupancy costs	**$**	**4,448,966**	$	4,247,256
Repairs and maintenance		**592,897**		558,969
Utilities		**389,919**		367,673
Telephone and communications		**142,520**		151,460
Insurance		**80,342**		71,665
	$	**5,654,644**	$	5,397,023
Other costs				
Disposal fees	**$**	**596,312**	$	510,262
Vehicle leases and rentals		**307,104**		286,924
Audit and professional fees		**152,788**		217,828
Advertising and promotion		**372,347**		161,956
Fees and other dues		**58,916**		146,382
Interest and bank charges		**141,875**		131,813
Travel		**112,085**		106,961
Affiliation dues		**70,068**		67,059
Postage and delivery		**24,588**		31,883
Interest on capital lease		**3,975**		4,282
Foreign exchange (gain) loss		**(284)**		(1,536)
	$	**1,839,774**	$	1,663,814
Materials costs				
Supplies	**$**	**439,879**	$	409,001
Materials		**21,308**		17,963
	$	**461,187**	$	426,964

15. Comparative information

Certain comparative information has been restated to conform with current year’s presentation.

Financial Statements of

GOODWILL INDUSTRIES OF ALBERTA

Year ended December 31, 2015

KPMG LLP
Chartered Professional Accountants
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

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INDEPENDENT AUDITORS' REPORT

To the Members of Goodwill Industries of Alberta

We have audited the accompanying financial statements of Goodwill Industries of Alberta, which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Goodwill Industries of Alberta as at December 31, 2015, and its results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations**.**

KPMG LLP

Chartered Professional Accountants

April 19, 2016
Edmonton, Canada

GOODWILL INDUSTRIES OF ALBERTA

Financial Statements

Year ended December 31, 2015

GOODWILL INDUSTRIES OF ALBERTA

Statement of Financial Position

December 31, 2015, with comparative information for 2014

		2015		2014
ASSETS				
Current				
Cash	**$**	**1,392,919**	$	537,968
Investments (note 3)		**332,792**		320,756
Accounts receivable		**412,864**		208,843
Prepaid expenses, deposits and other		**41,351**		34,410
		2,179,926		1,101,977
Investments (note 3)		**223,345**		226,770
Prepaid expenses and deposits		**340,619**		333,297
Property and equipment (note 4)		**2,320,701**		2,338,481
	$	**5,064,591**	$	4,000,525
LIABILITIES				
Current				
Accounts payable and accrued liabilities (note 11)	**$**	**1,841,350**	$	1,918,956
Deferred revenues		**56,860**		57,902
Deferred contributions (note 6)		**412,414**		57,271
Current portion of obligations under capital lease (note 8)		**19,235**		17,800
		2,329,859		2,051,929
Deferred capital contributions (note 7)		**59,795**		128,702
Obligations under capital lease (note 8)		**1,887**		21,122
Straight-line rent and tenant inducements payable (note 9)		**1,070,454**		1,263,527
		3,461,995		3,465,280
Net assets		**1,602,596**		535,245
	$	**5,064,591**	$	4,000,525

Commitments (note 12)

See accompanying notes to financial statements.

On behalf of the Board:

________________________________, Director ________________________________, Director

GOODWILL INDUSTRIES OF ALBERTA

Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

		2015		2014
Revenues				
Commercial	**$**	**21,426,431**	$	19,225,212
Provincial contract fees (note 6)		**2,421,110**		2,489,045
United Way		**162,491**		156,856
Donations, grants and contributions		**58,258**		67,483
Amortization of deferred capital contributions		**68,907**		62,446
Unrealized gain on investments		**8,611**		10,266
Interest revenue		**421**		284
		24,146,229		22,011,592
Expenses				
Human resource costs (note 15)		**14,168,964**		13,664,328
Occupancy costs (note 15)		**5,843,996**		5,654,644
Other operating costs (note 15)		**1,923,848**		1,839,774
Amortization of property and equipment		**705,158**		595,072
Material costs (note 15)		**436,912**		461,187
		23,078,878		22,215,005
Excess (deficiency) of revenues over expenses	**$**	**1,067,351**	$	(203,413)

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA

Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

2015	Unrestricted	Investment in property and equipment	**Total**
Net assets (deficiency), beginning of year	$ (1,635,612)	$ 2,170,857	**$ 535,245**
Excess (deficiency) of revenues over expenses	1,703,602	(636,251)	**1,067,351**
Investment in property and equipment	(705,178)	705,178	**-**
Net assets (deficiency), end of year	$ (637,188)	$ 2,239,784	**$ 1,602,596**

2014	Unrestricted	Investment in property and equipment	Total
Net assets (deficiency), beginning of year	$ (1,404,736)	$ 2,143,394	$ 738,658
Excess (deficiency) of revenues over expenses	329,213	(532,626)	(203,413)
Investment in property and equipment	(560,089)	560,089	-
Net assets (deficiency), end of year	$ (1,635,612)	$ 2,170,857	$ 535,245

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

		2015		2014
Cash provided by (used in):				
Operating activities:				
Excess (deficiency) of revenues over expenses	$	**1,067,351**	$	(203,413)
Amortization of property and equipment		**705,158**		595,072
Straight-line rent (note 9)		**(128,332)**		(91,081)
Amortization of deferred capital contributions (note 7)		**(68,907)**		(62,446)
Amortization of deferred tenant inducements (note 9)		**(163,141)**		(149,923)
		1,412,129		88,209
Change in non-cash operating working capital				
Accounts receivable		**(204,021)**		(14,585)
Prepaid expenses, deposits and other		**(6,941)**		22,215
Non-current prepaid expenses and deposits		**(7,322)**		(15,486)
Accounts payable and accrued liabilities		**(77,606)**		434,968
Deferred revenues		**(1,042)**		(19,306)
Deferred contributions		**355,143**		(73,497)
		1,470,340		422,518
Financing activities:				
Repayment of obligations under capital lease		**(17,800)**		(20,047)
Capital contributions received (note 7)		**-**		68,701
Tenant inducement received (note 9)		**98,400**		-
		80,600		48,654
Investing activities:				
Unrealized gain on investments		**(8,611)**		(10,266)
Purchase of property and equipment		**(687,378)**		(608,743)
		(695,989)		(619,009)
Net increase (decrease) in cash		**854,951**		(147,837)
Cash, beginning of year		**537,968**		685,805
Cash, end of year	$	**1,392,919**	$	537,968
Supplemental cash flow information:				
Cash interest paid	$	**10,628**	$	9,085
Cash interest received		**421**		284

See accompanying notes to financial statements.

1. Purpose of the organization

Goodwill Industries of Alberta (“Goodwill”) is a non-profit entity incorporated without share capital under the Societies Act of Alberta. Goodwill is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Revenue recognition

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

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. United Way and grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

(b) Cash

Cash includes cash on hand and balances with banks, net of bank overdrafts. Bank borrowings are considered to be financing activities.

(c) Inventory

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

2. Significant accounting policies (continued)

(d) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to Goodwill's ability to provide services, its carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and electronic equipment	3 years
Furniture and equipment	10 years
Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

(e) Employee future benefits

Prior to December 31, 2013, Goodwill had a defined contribution plan that was funded by the employee and employer on a shared basis. Goodwill also had a defined benefit plan covering certain employees that was funded entirely by Goodwill. These plans provided pension, other retirement and post-employment benefits to most of Goodwill's employees. Effective December 31, 2013, the Trustee approved the termination of both plans and both plans began to wind-down following approval from regulatory agencies.

Effective January 1, 2014, Goodwill established a group Registered Retirement Savings Plan (Group RRSP) that is funded by the employee and the employer on a shared basis. Contributions to the Group RRSP for current service is recognized when the contribution is paid (or payable) based on pay dates.

(f) Leases and tenant inducements

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

2. Significant accounting policies (continued)

(g) 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. Goodwill has elected to carry its investments at fair value.

Transactions 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, Goodwill 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 expected cash flows, the amount that could be realized from selling the financial asset or the amount Goodwill 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.

(h) Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, rates and methods to calculate amortization, assets and obligations related to employee future benefits, accrued liabilities related to tenant inducements and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. Investments

		2015		2014
Investment cash account	**$**	**169**	$	108,389
Investment savings account		**214,380**		212,367
Corporate guaranteed investment certificate with stated annually compounding interest rate of 3.5% with maturity date in 2016		**118,243**		-
		332,792		320,756
Corporate guaranteed investment certificates with stated annually compounding interest rates of 1.85% - 1.9% (2014 – 3.1% - 3.5%) with maturity dates up to 2018		**223,345**		226,770
	$	**556,137**	$	547,526

4. Property and equipment

2015		Cost		Accumulated Amortization		**Net Book Value**
Computers and electronic equipment	$	310,223	$	210,678	**$**	**99,545**
Furniture and equipment		1,506,168		815,090		**691,078**
Vehicles		225,206		101,929		**123,277**
Leasehold improvements		3,878,101		2,471,300		**1,406,801**
Total property and equipment	$	5,919,698	$	3,598,997	**$**	**2,320,701**

2014		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	229,250	$	195,844	$	33,406
Furniture and equipment		1,452,736		828,610		624,126
Vehicles		133,374		59,339		74,035
Leasehold improvements		3,582,156		1,975,242		1,606,914
Total property and equipment	$	5,397,516	$	3,059,035	$	2,338,481

During the year, Goodwill wrote off fully amortized assets. Reductions to cost and accumulated amortization were $165,196 (2014 - $110,356).

Furniture and equipment includes assets under capital lease with a cost of $258,805 (2014 - $258,805) and accumulated amortization of $196,187 (2014 - $172,196).

5. Credit facility

Goodwill has a demand operating loan available to a maximum of $700,000 (2014 – $700,000) of which $nil (2014 – $nil) has been advanced. The facility bears interest at the bank's prime rate plus 0.25% (2014 – prime rate plus 0.25%). Security has been provided for the demand loan as follows:

(a) General assignment of debts registered in Alberta.
(b) Fixed and floating charge debenture, in the amount of $400,000, on all major equipment at year-end. The carrying value of furniture and equipment as at December 31, 2015 is $691,078 (2014 – $624,126).
(c) A $500,000 investment portfolio of securities supported by a security agreement constituting a first ranking security interest in the securities.

6. Deferred contributions

Deferred contributions relate to provision of services to Ministries of the Government of Alberta. Changes in deferred contributions are as follows:

	2015	2014
Balance, beginning of year	**$ 57,271**	$ 130,768
Contributions received	**2,776,253**	2,415,548
Contributions recognized as revenue	**(2,421,110)**	(2,489,045)
Balance, end of year	**$ 412,414**	$ 57,271

7. Deferred capital contributions

Changes in deferred capital contributions are as follows:

	2015	2014
Balance, beginning of year	**$ 128,702**	$ 122,447
Contributions received	**-**	68,701
Contributions recognized as revenue	**(68,907)**	(62,446)
Balance, end of year	**$ 59,795**	$ 128,702

8. Obligations under capital leases

		2015		2014
National Leasing	**$**	**21,122**	$	38,922
Less current portion of obligation under capital lease		**(19,235)**		(17,800)
	$	**1,887**	$	21,122

National Leasing, payable in 60 monthly payments of $1,641 plus GST, 6.7% nominal annual rate, due January 2017, secured by a pre-crusher with net book value of $50,369 (2014 - $58,764).

Future minimum lease payments in each of the next two remaining years are as follows:

2016	$	19,692
2017		1,641
		21,333
Less amount representing interest		(211)
	$	21,122

9. Straight-line rent and tenant inducements payable

		2015		2014
Tenant inducements	**$**	**551,966**	$	616,707
Straight-line rent		**518,488**		646,820
	$	**1,070,454**	$	1,263,527

During the year, Goodwill received $98,400 (2014 - $nil) in tenant inducements and recognized $163,141 (2014- $149,923) of amortization of deferred tenant inducements as a reduction in rent expense. In addition, during the year Goodwill recognized net straight-line rent income of $128,332 (2014 - $91,081).

10. Employee future benefits

Information about the Goodwill's defined benefit plan is as follows:

		2015		2014
Accrued benefit obligation	**$**	**(205,000)**	$	(198,000)
Fair value of plan assets		178,000		177,000
Accrued benefit liability	**$**	**(27,000)**	**$**	(21,000)

On October 15, 2013, the Trustee approved the termination of the defined benefit plan and the defined contribution plan effective December 31, 2013. Notices of plan termination were sent to Canada Revenue Agency, Alberta Finance and Enterprise and all active defined benefit and defined contribution plan members stating that contributions into the defined contribution plan would no longer be made after December 31, 2013.

10. Employee future benefits (continued)

During 2014, funds were disbursed out of the defined benefit plan and defined contribution plan for all active employees subject to statutory limitations. Following the disbursement of any remaining funds, which is expected to be substantially completed by December 31, 2016, both plans will be deregistered. Goodwill does not expect a significant plan deficiency or plan surplus following full disbursement of member funds.

11. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $166,620 (2014 - $125,209) which includes payroll related taxes.

12. Commitments

	Premises base rent	Vehicles and equipment rent	**Total**
2016	3,651,466	16,385	**$3,667,851**
2017	3,241,738	13,122	**3,254,860**
2018	2,420,954	4,882	**2,425,836**
2019	2,072,897	808	**2,073,705**
2020	1,653,211	-	**1,653,211**

13. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk arises from the possibility that the entities to which Goodwill sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor’s payment history and performance.

(b) Interest rate risk

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2015, the demand operating loan was not drawn on and in management’s opinion, Goodwill is not exposed to significant interest rate risk.

(c) Foreign currency risk

Foreign currency risk relates to holding funds in a US bank account used to pay US suppliers. In management’s opinion, Goodwill is not exposed to significant foreign currency risk.

14. Comparative information

Certain comparative information has been restated to conform with the current year’s presentation.

15. Operating expenses

Further details of operating expenses include the following:

		2015		2014
Human resource costs				
Salaries and wages	$	12,586,808	$	12,053,011
Employee benefits		1,320,833		1,315,388
Contracted labour		95,149		167,849
Training, recruitment and other costs		166,174		128,080
	$	14,168,964	$	13,664,328
Occupancy costs				
Rent and other occupancy costs	$	4,587,593	$	4,448,966
Repairs and maintenance		690,967		592,897
Utilities		339,798		389,919
Telephone and communications		144,877		142,520
Insurance		80,761		80,342
	$	5,843,996	$	5,654,644
Other operating costs				
Disposal fees	$	630,535	$	596,312
Vehicle leases and rentals		236,186		307,104
Audit and professional fees		216,981		152,788
Advertising and promotion		328,801		372,347
Fees and other dues		139,504		58,916
Card processing fees, interest and bank charges		173,825		141,875
Travel		95,105		112,085
Affiliation dues		72,350		70,068
Postage and delivery		28,858		24,588
Interest on capital lease		2,385		3,975
Foreign exchange gain		(682)		(284)
	$	1,923,848	$	1,839,774
Materials costs				
Supplies	$	413,902	$	439,879
Materials		23,010		21,308
	$	436,912	$	461,187

16. Subsequent events

Subsequent to December 31, 2015, Goodwill completed a transaction whereby Alberta Social Enterprise Venture Fund Inc. provided a loan with a principal amount of $400,000, bearing interest at 5% per annum and repayable over five years (first year interest only) secured by a General Security Agreement. As a result, the General Security Agreement and floating charge debenture held by the bank (note 5) was released and the operating loan was reduced to $400,000.

In addition, subsequent to December 31, 2015, the Board of Directors approved entering into a ten-year warehouse space lease commencing May 1, 2016 with total lease payments through the term of $6,556,896.

Financial Statements of

GOODWILL INDUSTRIES OF ALBERTA

Year ended December 31, 2016

KPMG LLP
2200, 10175 - 101 Street
Edmonton AB T5J 0H3
Canada
Telephone (780) 429-7300
Fax (780) 429-7379

INDEPENDENT AUDITORS' REPORT

To the Members of Goodwill Industries of Alberta

We have audited the accompanying financial statements of Goodwill Industries of Alberta, which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Goodwill Industries of Alberta as at December 31, 2016, 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**.**

KPMG LLP

Chartered Professional Accountants

April 18, 2017
Edmonton, Canada

GOODWILL INDUSTRIES OF ALBERTA

Financial Statements

Year ended December 31, 2016

GOODWILL INDUSTRIES OF ALBERTA

Statement of Financial Position

December 31, 2016, with comparative information for 2015

		2016		2015
ASSETS				
Current				
Cash	**$**	**1,815,125**	$	1,392,919
Investments (note 3)		**450,777**		332,792
Accounts receivable		**682,354**		412,864
Prepaid expenses, deposits and other		**212,712**		41,351
		3,160,968		2,179,926
Investments (note 3)		**386,680**		223,345
Prepaid expenses and deposits		**392,444**		340,619
Property and equipment (note 4)		**3,789,429**		2,320,701
	$	**7,729,521**	$	5,064,591
LIABILITIES				
Current				
Accounts payable and accrued liabilities (note 6)	**$**	**2,409,959**	$	1,841,350
Deferred revenues		**50,140**		56,860
Deferred contributions (note 7)		**415,989**		412,414
Current portion of obligation under capital lease (note 9)		**1,887**		19,235
Current portion of long-term debt (note 10)		**68,994**		-
		2,946,969		2,329,859
Deferred capital contributions (note 8)		**24,134**		59,795
Obligations under capital lease (note 9)		**-**		1,887
Long-term debt (note 10)		**331,006**		**-**
Straight-line rent and tenant inducements (note 11)		**1,895,247**		1,070,454
		5,197,356		3,461,995
Net assets		**2,532,165**		1,602,596
	$	**7,729,521**	$	5,064,591

Credit facility (note 5)
Commitments (note 12)

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________, Director   _______________________________, Director

GOODWILL INDUSTRIES OF ALBERTA

Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

		2016		2015
Revenues				
Commercial	$	**21,596,330**	$	21,426,431
Provincial contract fees (note 7)		**2,384,903**		2,421,110
United Way		**164,928**		162,491
Donations, grants and contributions		**51,473**		58,258
Amortization of deferred capital contributions		**35,661**		68,907
Unrealized gain on investments		**6,320**		8,611
Interest revenue		**5,393**		421
		24,245,008		24,146,229
Expenses				
Human resources (note 16)		**14,064,283**		14,168,964
Occupancy (note 16)		**6,119,256**		5,843,996
Other operating (note 16)		**1,814,635**		1,923,848
Amortization of property and equipment		**686,287**		705,158
Materials (note 16)		**630,978**		436,912
		23,315,439		23,078,878
Excess of revenues over expenses	$	**929,569**	$	1,067,351

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

2016	Unrestricted	Invested in property and equipment	**Total**
Net assets (deficiency), beginning of year	$ (85,222)	$ 1,687,818	**$ 1,602,596**
Excess (deficiency) of revenues over expenses	1,401,940	(472,371)	**929,569**
Investment in property and equipment, net	(1,057,946)	1,057,946	**-**
Net assets, end of year	$ 258,772	$ 2,273,393	**$ 2,532,165**

2015	Unrestricted	Invested in property and equipment	Total
Net assets (deficiency), beginning of year	$ (1,018,905)	$ 1,554,150	$ 535,245
Excess (deficiency) of revenues over expenses	1,540,461	(473,110)	1,067,351
Investment in property and equipment, net	(606,778)	606,778	-
Net assets (deficiency), end of year	$ (85,222)	$ 1,687,818	$ 1,602,596

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ **929,569**	$ 1,067,351
Amortization of property and equipment	**686,287**	705,158
Straight-line rent (note 11)	**286,744**	(128,332)
Amortization of deferred capital contributions (note 8)	**(35,661)**	(68,907)
Amortization of deferred tenant inducements (note 11)	**(178,255)**	(163,141)
	1,688,684	1,412,129
Change in non-cash operating working capital		
Accounts receivable	**(269,490)**	(204,021)
Prepaid expenses, deposits and other	**(171,361)**	(6,941)
Non-current prepaid expenses and deposits	**(51,825)**	(7,322)
Accounts payable and accrued liabilities	**568,609**	(77,606)
Deferred revenues	**(6,720)**	(1,042)
Deferred contributions	**3,575**	355,143
	1,761,472	1,470,340
Financing activities:		
Repayment of obligations under capital lease	**(19,235)**	(17,800)
Tenant inducement received (note 11)	**716,304**	98,400
Proceeds from long-term debt (note 10)	**400,000**	-
	1,097,069	80,600
Investing activities:		
Unrealized gain on investments	**(6,320)**	(8,611)
Purchase of investments	**(275,000)**	-
Purchase of property and equipment	**(2,155,015)**	(687,378)
	(2,436,335)	(695,989)
Net increase in cash	**422,206**	854,951
Cash, beginning of year	**1,392,919**	537,968
Cash, end of year	$ **1,815,125**	$ 1,392,919
Supplemental cash flow information:		
Cash interest paid	$ **16,399**	$ 10,628
Cash interest received	**5,393**	421

See accompanying notes to financial statements.

1. Purpose of the organization

Goodwill Industries of Alberta (“Goodwill”) is a non-profit entity incorporated without share capital under the Societies Act of Alberta. Goodwill is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

2. Significant accounting policies

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

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. United Way and grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

(b) Cash

Cash includes cash on hand and balances with banks, net of bank overdrafts. Bank borrowings are considered to be financing activities.

(c) Inventory

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

2. Significant accounting policies (continued)

(d) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to Goodwill's ability to provide services, its carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and electronic equipment	3 years
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Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

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Effective January 1, 2014, Goodwill established a group Registered Retirement Savings Plan (Group RRSP) that is funded by the employee and the employer on a shared basis. Contributions to the Group RRSP for current service is recognized when the contribution is paid (or payable) based on pay dates.

(f) Leases and tenant inducements

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

2. Significant accounting policies (continued)

(g) 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. Goodwill has elected to carry its investments at fair value.

Transactions 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, Goodwill 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 expected cash flows, the amount that could be realized from selling the financial asset or the amount Goodwill 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.

(h) Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, rates and methods to calculate amortization, assets and obligations related to employee future benefits, accrued liabilities related to tenant inducements and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. Investments

		2016		2015
Investment cash account	**$**	**123,130**	$	169
Investment savings account		**215,993**		214,380
Corporate guaranteed investment certificate with stated annually compounding interest rate of 1.85% with maturity date in 2017		**111,654**		118,243
		450,777		332,792
Corporate guaranteed investment certificates with stated annually compounding interest rates of 1.9% (2015 – 1.85% - 1.9%) with maturity dates up to 2018		**111,680**		223,345
RBC guaranteed investment certificate with stated annual interest rate of 0.5% with maturity date in 2017		**275,000**		-
	$	**837,457**	$	556,137

The RBC guaranteed investment certificate (GIC) with a carrying amount of $275,000 is restricted as cash security for an irrevocable letter of credit issued by Goodwill through RBC with the same face value (note 12). The RBC GIC is renewable annually for five years.

4. Property and equipment

2016		Cost		Accumulated Amortization		**Net Book Value**
Computers and electronic equipment	$	**566,311**	$	**253,964**	**$**	**312,347**
Furniture and equipment		**1,569,060**		**700,124**		**868,936**
Vehicles		**249,216**		**159,751**		**89,465**
Leasehold improvements		**5,276,775**		**2,758,094**		**2,518,681**
Total property and equipment	$	**7,661,362**	$	**3,871,933**	**$**	**3,789,429**

2015		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	310,223	$	210,678	**$**	99,545
Furniture and equipment		1,506,168		815,090		691,078
Vehicles		225,206		101,929		123,277
Leasehold improvements		3,878,101		2,471,300		1,406,801
Total property and equipment	$	5,919,698	$	3,598,997	**$**	**2,320,701**

During the year, Goodwill wrote off fully amortized assets. Reductions to cost and accumulated amortization were $413,351 (2015 - $165,196).

Furniture and equipment includes assets under capital lease with a cost of $205,970 (2015 - $258,805) and accumulated amortization of $157,949 (2015 - $196,187).

5. Credit facility

Goodwill has a demand operating loan available to a maximum of $400,000 (2015 – $700,000) of which $nil (2015 – $nil) has been advanced. The facility bears interest at the bank's prime rate plus 0.25% (2015 – prime rate plus 0.25%). The facility is secured by an investment portfolio of securities with a minimum market value of $400,000 supported by a security agreement constituting a first ranking security interest in the securities.

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $49,333 (2015 - $166,620) which includes payroll related taxes.

7. Deferred contributions

Deferred contributions relate to the provision of services to Ministries of the Government of Alberta. Changes in deferred contributions are as follows:

		2016		2015
Balance, beginning of year	**$**	**412,414**	$	57,271
Contributions receive/receivable		**2,388,478**		2,776,253
Contributions recognized as revenue		**(2,384,903)**		(2,421,110)
Balance, end of year	**$**	**415,989**	$	412,414

8. Deferred capital contributions

Changes in deferred capital contributions are as follows:

		2016		2015
Balance, beginning of year	**$**	**59,795**	$	128,702
Contributions received		-		-
Contributions recognized as revenue		**(35,661)**		(68,907)
Balance, end of year	**$**	**24,134**	$	59,795

9. Obligations under capital leases

		2016		2015
National Leasing	$	**1,887**	$	21,122
Less current portion of obligation under capital lease		**(1,887)**		(19,235)
	$	**-**	$	1,887

National Leasing, payable in 60 monthly payments of $1,641 plus GST, 6.7% nominal annual rate, due January 2017, secured by a pre-crusher with net book value of $41,974 (2015 - $50,369).

Future minimum lease payments in the remaining year is as follows:

2017	$	**1,898**
Less amount representing interest		**11**
	$	**1,887**

10. Long-term debt

		2016		2015
Loan payable to Alberta Social Enterprise Venture Fund Inc. bearing interest at 5%, repayable in monthly interest only payments to March 15, 2017, with blended monthly payments of $9,213 commencing April 15, 2017, maturing on March 15, 2021, secured by a General Security Agreement	$	**400,000**	$	-
Less current portion of long-term debt		**(68,994)**		-
	$	**331,006**	$	-

11. Straight-line rent and tenant inducements

		2016		2015
Tenant inducements	$	**1,090,015**	$	551,966
Straight-line rent		**805,232**		518,488
	$	**1,895,247**	$	1,070,454

During the year, Goodwill received $716,304 (2015 - $98,400) in tenant inducements and recognized $178,255 (2015- $163,141) of amortization of deferred tenant inducements as a reduction in rent expense. In addition, during the year Goodwill recognized net straight-line rent expense of $286,744 (2015 – income of $128,332).

12. Commitments

	Premises base rent	Vehicles and equipment rent	**Total**
2017	4,508,076	31,944	**4,540,020**
2018	3,934,921	24,370	**3,959,291**
2019	3,685,256	20,296	**3,705,552**
2020	3,296,991	19,488	**3,316,479**
2021	2,567,277	17,576	**2,584,853**

Goodwill has issued, through Royal Bank of Canada (RBC), an irrevocable letter of credit to a landlord in the amount of $275,000 in support of Goodwill's commitments under the terms of a lease agreement. The letter of credit can be drawn down by the landlord if Goodwill does not fulfill its commitments under the lease. The letter of credit is renewable annually for five years and is fully secured by a restricted investment (note 3).

13. Employee future benefits

Information about the Goodwill's defined benefit plan is as follows:

	2016	2015
Accrued benefit obligation	**$ (212,000)**	$ (205,000)
Fair value of plan assets	196,000	178,000
Accrued benefit liability	**$ (16,000)**	**$** (27,000)

On October 15, 2013, the Trustee approved the termination of the defined benefit plan and the defined contribution plan effective December 31, 2013. Notices of plan termination were sent to Canada Revenue Agency, Alberta Finance and Enterprise and all active defined benefit and defined contribution plan members stating that contributions into the defined contribution plan would no longer be made after December 31, 2013.

During 2014, funds were disbursed out of the defined benefit plan and defined contribution plan for all active employees subject to statutory limitations. Following the disbursement of any remaining funds, which is expected to be substantially completed by December 31, 2017, both plans will be deregistered. Goodwill does not expect a significant plan deficiency or plan surplus following full disbursement of member funds.

14. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk arises from the possibility that the entities to which Goodwill sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance. Substantially all of Goodwill's commercial sales are settled at the transaction date.

(b) Interest rate risk

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2016, the demand operating loan was not drawn on and in management's opinion, Goodwill is not exposed to significant interest rate risk. The interest rate on the long-term debt is fixed for the term of the loan.

(c) Foreign currency risk

Foreign currency risk relates to holding funds in a US bank account used to pay US suppliers. In management's opinion, Goodwill is not exposed to significant foreign currency risk.

15. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

16. Operating expenses

Further details of operating expenses include the following:

	2016	2015
Human resource costs		
Salaries and wages	**$ 12,523,994**	$ 12,586,808
Employee benefits	**1,330,663**	1,320,833
Contracted labour	**108,703**	95,149
Training, recruitment and other costs	**100,923**	166,174
	$ 14,064,283	$ 14,168,964
Occupancy costs		
Rent and other occupancy costs	**$ 5,056,770**	$ 4,587,593
Repairs and maintenance	**526,338**	690,967
Utilities	**302,529**	339,798
Telephone and communications	**144,130**	144,877
Insurance	**89,489**	80,761
	$ 6,119,256	$ 5,843,996
Other operating costs		
Disposal fees	**$ 478,923**	$ 630,535
Vehicle leases and rentals	**245,446**	236,186
Audit and professional fees	**196,796**	216,981
Advertising and promotion	**330,394**	328,801
Fees and other dues	**176,511**	139,504
Interest and bank charges	**178,216**	173,825
Travel	**105,261**	95,105
Affiliation dues	**72,480**	72,350
Postage and delivery	**26,474**	28,858
Interest on capital lease	**3,976**	2,385
Foreign exchange (loss) gain	**158**	(682)
	$ 1,814,635	$ 1,923,848
Materials costs		
Supplies	**$ 603,698**	$ 413,902
Materials	**27,280**	23,010
	$ 630,978	$ 436,912

Financial Statements of

GOODWILL INDUSTRIES OF ALBERTA
(Registered Society)

Year ended December 31, 2017

KPMG

KPMG LLP
2200, 10175 - 101 Street
Edmonton AB T5J 0H3
Canada
Telephone (780) 429-7300
Fax (780) 429-7379

INDEPENDENT AUDITORS' REPORT

To the Members of Goodwill Industries of Alberta (Registered Society)

We have audited the accompanying financial statements of Goodwill Industries of Alberta (Registered Society), which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Goodwill Industries of Alberta (Registered Society) as at December 31, 2017, 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.

KPMG LLP

Chartered Professional Accountants

March 28, 2018
Edmonton, Canada

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Financial Statements

Year ended December 31, 2017

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
ASSETS		
Current		
Cash and cash equivalents	$ 1,046,845	$ 1,815,125
Investments (note 3)	568,068	450,777
Accounts receivable	1,059,476	682,354
Prepaid expenses, deposits and other	207,838	212,712
	2,882,227	3,160,968
Investments (note 3)	275,000	386,680
Prepaid expenses and deposits	544,225	392,444
Property and equipment (note 4)	6,678,586	3,789,429
	$ 10,380,038	$ 7,729,521
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 6)	$ 2,705,188	$ 2,409,959
Deferred revenues	62,922	50,140
Deferred contributions (note 7)	430,907	415,989
Current portion of obligation under capital lease	-	1,887
Current portion of long-term debt (note 9)	151,192	68,994
	3,350,209	2,946,969
Deferred capital contributions (note 8)	193,170	24,134
Long-term debt (note 9)	1,679,814	331,006
Straight-line rent and tenant inducements (note 10)	3,617,983	1,895,247
	8,841,176	5,197,356
Net assets	1,538,862	2,532,165
	$ 10,380,038	$ 7,729,521

Credit facility (note 5)
Commitments and contingencies (note 11)

See accompanying notes to financial statements.

On behalf of the Board:

_______________, Director _______________, Director

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

		2017		2016
Revenues				
Commercial	$	**24,597,943**	$	21,596,330
Provincial contract fees (note 7)		**2,446,961**		2,384,903
United Way		**124,305**		164,928
Donations, grants and contributions		**134,897**		51,473
Amortization of deferred capital contributions		**30,964**		35,661
Unrealized gain on investments		**5,611**		6,320
Interest revenue		**4,206**		5,393
		27,344,887		24,245,008
Expenses				
Human resources (note 16)		**16,571,203**		14,064,283
Occupancy (note 16)		**7,847,365**		6,119,256
Other operating (note 16)		**2,024,013**		1,814,635
Amortization of property and equipment		**1,002,971**		686,287
Materials (note 16)		**892,638**		630,978
		28,338,190		23,315,439
Excess (deficiency) of revenues over expenses	$	**(993,303)**	$	929,569

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

2017		Unrestricted		Invested in property and equipment		**Total**
Net assets (deficiency), beginning of year	$	258,772	$	2,273,393	**$**	**2,532,165**
Excess (deficiency) of revenues over expenses		(181,627)		(811,676)		**(993,303)**
Investment in property and equipment, net		(694,616)		694,616		-
Net assets (deficiency), end of year	$	(617,471)	$	2,156,333	**$**	**1,538,862**

2016		Unrestricted		Invested in property and equipment		Total
Net assets (deficiency), beginning of year	$	(85,222)	$	1,687,818	$	1,602,596
Excess (deficiency) of revenues over expenses		1,401,940		(472,371)		929,569
Investment in property and equipment, net		(1,057,946)		1,057,946		-
Net assets, end of year	$	258,772	$	2,273,393	$	2,532,165

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ (993,303)	$ 929,569
Amortization of property and equipment	1,002,971	686,287
Straight-line rent (note 10)	314,674	286,744
Amortization of deferred capital contributions (note 8)	(30,964)	(35,661)
Amortization of deferred tenant inducements (note 10)	(160,331)	(178,255)
	133,047	1,688,684
Change in non-cash operating working capital		
Accounts receivable	(377,122)	(269,490)
Prepaid expenses, deposits and other	4,874	(171,361)
Non-current prepaid expenses and deposits	(151,781)	(51,825)
Accounts payable and accrued liabilities	295,229	568,609
Deferred revenues	12,782	(6,720)
Deferred contributions	14,918	3,575
	(68,053)	1,761,472
Financing activities:		
Repayment of obligations under capital lease	(1,887)	(19,235)
Repayment of long-term debt	(68,994)	-
Capital contributions received	200,000	-
Tenant inducement received (note 10)	1,568,393	716,304
Proceeds from long-term debt (note 9)	1,500,000	400,000
	3,197,512	1,097,069
Investing activities:		
Unrealized gain on investments	(5,611)	(6,320)
Purchase of investments	-	(275,000)
Purchase of property and equipment	(3,892,128)	(2,155,015)
	(3,897,739)	(2,436,335)
Net (decrease) increase in cash and cash equivalents	(768,280)	422,206
Cash and cash equivalents, beginning of year	1,815,125	1,392,919
Cash and cash equivalents, end of year	$ 1,046,845	$ 1,815,125
Supplemental cash flow information:		
Cash interest paid	$ 30,310	$ 16,399
Cash interest received	4,206	5,393

See accompanying notes to financial statements.

1. Purpose of the organization

Goodwill Industries of Alberta (Registered Society) ("Goodwill") is a non-profit registered charity incorporated without share capital under the Societies Act of Alberta. Goodwill is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Revenue recognition

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

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. United Way and grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks, net of bank overdrafts. Bank borrowings are considered to be financing activities.

(c) Inventory

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

2. Significant accounting policies (continued)

(d) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to Goodwill's ability to provide services, its carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and electronic equipment	3 years
Furniture and equipment	10 years
Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

(e) Employee future benefits

Prior to December 31, 2013, Goodwill had a defined contribution plan that was funded by the employee and employer on a shared basis. Goodwill also had a defined benefit plan covering certain employees that was funded entirely by Goodwill. These plans provided pension, other retirement and post-employment benefits to most of Goodwill's employees. Effective December 31, 2013, the Trustee approved the termination of both plans and both plans began to wind-down following approval from regulatory agencies.

Effective January 1, 2014, Goodwill established a group Registered Retirement Savings Plan (Group RRSP) that is funded by the employee and the employer on a shared basis. Contributions to the Group RRSP for current service is recognized when the contribution is paid (or payable) based on pay dates.

(f) Leases and tenant inducements

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

2. Significant accounting policies (continued)

(g) 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. Goodwill has elected to carry its investments 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, Goodwill 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 expected cash flows, the amount that could be realized from selling the financial asset or the amount Goodwill 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.

(h) Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, rates and methods to calculate amortization, assets and obligations related to employee future benefits, accrued liabilities related to tenant inducements and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. Investments

		2017		2016
Investment cash account	$	**114,857**	$	123,130
Investment savings account		**341,537**		215,993
Corporate guaranteed investment certificate with stated annually compounding interest rate of 1.9% with maturity date in 2018		**111,674**		-
Corporate guaranteed investment certificate with stated annually compounding interest rate of 1.85% with maturity date in 2017		-		111,654
		568,068		450,777
Corporate guaranteed investment certificate with stated annually compounding interest rate of 1.9%with maturity date in 2018		-		111,680
RBC guaranteed investment certificate with stated annual interest rate of 0.5% (2017 – 0.5%) with maturity date in 2018		275,000		275,000
		275,000		386,680
	$	**843,068**	$	837,457

The RBC guaranteed investment certificate (GIC) with a carrying amount of $275,000 is restricted as cash security for an irrevocable letter of credit issued by Goodwill through RBC with the same face value (note 11). The RBC GIC is renewable annually for four years.

4. Property and equipment

2017		Cost		Accumulated Amortization		**Net Book Value**
Computers and electronic equipment	$	**766,222**	$	**399,914**	$	**366,308**
Furniture and equipment		**2,134,829**		**740,550**		**1,394,279**
Vehicles		**258,966**		**220,903**		**38,063**
Leasehold improvements		**7,368,633**		**2,488,697**		**4,879,936**
Total property and equipment	$	**10,528,650**	$	**3,850,064**	$	**6,678,586**

2016		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	566,311	$	253,964	$	312,347
Furniture and equipment		1,569,060		700,124		868,936
Vehicles		249,216		159,751		89,465
Leasehold improvements		5,276,775		2,758,094		2,518,681
Total property and equipment	$	7,661,362	$	3,871,933	$	**3,789,429**

4. Property and equipment (continued)

During the year, Goodwill wrote off fully amortized assets. Reductions to cost and accumulated amortization were $1,024,840 (2016 - $413,351).

Furniture and equipment includes assets under capital lease with a cost of $96,042 (2016 - $205,970) and accumulated amortization of $57,625 (2016 - $157,949).

5. Credit facility

Goodwill has a demand operating loan available to a maximum of $400,000 (2016 – $400,000) of which $nil (2016 – $nil) was outstanding at December 31, 2017. The facility bears interest at the bank's prime rate plus 0.25% (2016 – prime rate plus 0.25%). The facility is secured by an investment portfolio of securities with a minimum market value of $400,000 supported by a security agreement constituting a first ranking security interest in the securities.

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $73,350 (2016 - $49,333) which includes payroll related taxes.

7. Deferred contributions

Deferred contributions relate to the provision of services to Ministries of the Government of Alberta. Changes in deferred contributions are as follows:

	2017	2016
Balance, beginning of year	$ 415,989	$ 412,414
Contributions received/receivable	2,461,879	2,388,478
Contributions recognized as revenue	(2,446,961)	(2,384,903)
Balance, end of year	$ 430,907	$ 415,989

8. Deferred capital contributions

Changes in deferred capital contributions are as follows:

	2017	2016
Balance, beginning of year	$ 24,134	$ 59,795
Contributions received	200,000	-
Contributions recognized as revenue	(30,964)	(35,661)
Balance, end of year	$ 193,170	$ 24,134

9. Long-term debt

		2017		2016
Loan payable to Alberta Social Enterprise Venture Fund Inc. (ASEV) bearing interest at 5%, repayable in monthly interest only payments to March 15, 2017, with blended monthly payments of $9,213 commencing April 15, 2017, maturing on March 15, 2021	$	**331,006**	$	400,000
Loan payable to ASEV bearing interest at 6.5%, repayable in monthly interest only payments to October 15, 2018, with blended monthly payments of $35,573 commencing November 15, 2018, maturing on October 15, 2022		**1,500,000**		-
Balance, end of year	$	**1,831,006**	$	400,000
Less current portion of long-term debt		**(151,192)**		(68,994)
	$	**1,679,814**	$	331,006

Loans payable to ASEV are secured by a general security agreement.

10. Straight-line rent and tenant inducements

		2017		2016
Tenant inducements	$	**2,498,077**	$	1,090,015
Straight-line rent		**1,119,906**		805,232
	$	**3,617,983**	$	1,895,247

During the year, Goodwill received $1,568,393 (2016 - $716,304) in tenant inducements and recognized $160,331 (2016 – $178,255) of amortization of deferred tenant inducements as a reduction in rent expense. In addition, during the year Goodwill recognized net straight-line rent expense of $314,674 (2016 – $286,744).

11. Commitments and contingencies

		Premises base rent		Vehicles and equipment rent		Total
2018	$	5,179,072	$	53,239	$	**5,232,311**
2019		5,101,405		53,065		**5,154,470**
2020		4,732,238		52,258		**4,784,496**
2021		4,115,016		50,345		**4,165,361**
2022		2,383,685		24,952		**2,408,637**

11. Commitments and contingencies (continued)

Goodwill has issued, through Royal Bank of Canada (RBC), an irrevocable letter of credit to a landlord in the amount of $275,000 in support of Goodwill's commitments under the terms of a lease agreement. The letter of credit can be drawn down by the landlord if Goodwill does not fulfill its commitments under the lease. The letter of credit is renewable annually for four years and is fully secured by a restricted investment (note 3).

Subsequent to December 31, 2017, Goodwill was named in a lawsuit by a former landlord/owner claiming certain costs, penalties and damages pertaining to the terms of a lease that terminated during 2017. Goodwill has filed a Statement of Defence denying all allegations. The final outcome of the lawsuit is not presently determinable.

12. Employee future benefits

Information about the Goodwill's defined benefit plan is as follows:

		2017		2016
Accrued benefit obligation	**$**	**(219,000)**	$	(212,000)
Fair value of plan assets		215,000		196,000
Accrued benefit liability	**$**	**(4,000)**	$	(16,000)

On October 15, 2013, the Trustee approved the termination of the defined benefit plan and the defined contribution plan effective December 31, 2013. Notices of plan termination were sent to Canada Revenue Agency, Alberta Finance and Enterprise and all active defined benefit and defined contribution plan members stating that contributions into the defined contribution plan would no longer be made after December 31, 2013.

During 2014, funds were disbursed out of the defined benefit plan and defined contribution plan for all active employees subject to statutory limitations. Following the disbursement of any remaining funds, which is expected to be substantially completed by December 31, 2018, both plans will be deregistered. Goodwill does not expect a significant plan deficiency or plan surplus following full disbursement of member funds.

13. Interest in You Can Ride 2

In the current year, Goodwill entered into an asset transfer agreement with the Edmonton Bicycle Commuters Society ("EBC") with respect to the You Can Ride 2 ("YCR2") programs that were previously administered and operated by EBC. Effective October 1, 2017, the assets of YCR2 were transferred at no cost to Goodwill and a $75,000 capital contribution was provided to Goodwill to assist with the construction of YCR2's new headquarters in the Community Engagement Centre located in Goodwill's Edmonton Impact Centre. In addition, Goodwill, through the YCR2's Project Steering Committee ("PSC"), has taken over responsibility for administering and operating the YCR2 programs. For the period from October 1, 2017 to December 31, 2017, Goodwill's financial statements include program revenues of $21,845 and related expenses of $11,534 related to the YCR2 programs.

14. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk arises from the possibility that the entities to which Goodwill sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance. Substantially all of Goodwill's commercial sales are settled at the transaction date.

(b) Interest rate risk

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2017, the demand operating loan was not drawn on and in management's opinion, Goodwill is not exposed to significant interest rate risk. The interest rate on the long-term debt is fixed for the term of the loans.

(c) Foreign currency risk

Foreign currency risk relates to holding funds in a US bank account used to pay US suppliers. In management's opinion, Goodwill is not exposed to significant foreign currency risk.

15. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

16. Operating expenses

Further details of operating expenses include the following:

	2017	2016
Human resource costs		
Salaries and wages	$ 14,756,004	$ 12,523,994
Employee benefits	1,520,853	1,330,663
Contracted labour	119,059	108,703
Training, recruitment and other costs	175,287	100,923
	$ 16,571,203	$ 14,064,283
Occupancy costs		
Rent and other occupancy costs	$ 6,576,726	$ 5,056,770
Repairs and maintenance	611,595	526,338
Utilities	385,348	302,529
Telephone and communications	165,175	144,130
Insurance	108,521	89,489
	$ 7,847,365	$ 6,119,256
Other operating costs		
Disposal fees	$ 440,659	$ 478,923
Vehicle leases and rentals	276,548	245,446
Audit and professional fees	256,742	196,796
Advertising and promotion	413,500	330,394
Fees and other dues	162,274	176,511
Interest and bank charges	249,731	178,216
Travel	125,717	105,261
Affiliation dues	76,046	72,480
Postage and delivery	22,796	26,474
Interest on capital lease	-	3,976
Foreign exchange (loss) gain	-	158
	$ 2,024,013	$ 1,814,635
Materials costs		
Supplies	$ 868,323	$ 603,698
Materials	24,315	27,280
	$ 892,638	$ 630,978

Financial Statements of

GOODWILL INDUSTRIES OF ALBERTA
(Registered Society)

Year ended December 31, 2018

KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB T5J 0H3
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INDEPENDENT AUDITORS' REPORT

To the Members of Goodwill Industries of Alberta (Registered Society)

Opinion

We have audited the financial statements of Goodwill Industries of Alberta (Registered Society), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net assets 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 Registered Society as at December 31, 2018, and its results of operations, change in its net assets 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Auditors' 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 auditors' 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.

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 Registered 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 Registered 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 auditors' 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 auditors' report. However, future events or conditions may cause the Registered Society's 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 represents 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

Edmonton, Canada

April 15, 2019

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Financial Statements

Year ended December 31, 2018

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
ASSETS		
Current		
Cash and cash equivalents	$ **985,833**	$ 1,046,845
Investments (note 3)	**500,000**	568,068
Accounts receivable	**309,903**	1,059,476
Prepaid expenses, deposits and other	**200,845**	207,838
	1,996,581	2,882,227
Investments (note 3)	**275,000**	275,000
Prepaid expenses and deposits	**617,867**	544,225
Property and equipment (note 4)	**6,261,708**	6,678,586
	$ **9,151,156**	$ 10,380,038
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 6)	$ **1,681,116**	$ 2,705,188
Deferred revenues	**80,335**	62,922
Deferred contributions (note 7)	**590,490**	430,907
Current portion of long-term debt (note 9)	**444,180**	151,192
	2,796,121	3,350,209
Deferred capital contributions (note 8)	**167,834**	193,170
Long-term debt (note 9)	**1,235,634**	1,679,814
Straight-line rent and tenant inducements (note 10)	**4,044,209**	3,617,983
	8,243,798	8,841,176
Net assets	**907,358**	1,538,862
	$ **9,151,156**	$ 10,380,038

Credit facility (note 5)
Commitments and contingencies (note 11)

See accompanying notes to financial statements.

On behalf of the Board:

________________, Director   ________________, Director

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

		2018		2017
Revenues				
Commercial	$	**26,737,544**	$	24,597,943
Provincial contract fees (note 7)		**2,382,561**		2,446,961
Donations, grants and contributions		**124,487**		134,897
Amortization of deferred capital contributions		**25,336**		30,964
Interest revenue		**6,994**		4,206
Unrealized gain on investments		**3,451**		5,611
United Way		**-**		124,305
		29,280,373		27,344,887
Expenses				
Human resources (note 14)		**17,562,393**		16,571,203
Occupancy (note 14)		**8,173,857**		7,847,365
Other operating (note 14)		**2,229,033**		2,024,013
Amortization of property and equipment		**1,166,158**		1,002,971
Materials (note 14)		**780,436**		892,638
		29,911,877		28,338,190
(Deficiency) of revenues over expenses	**$**	**(631,504)**	$	(993,303)

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

2018		Unrestricted (deficiency)		Invested in property and equipment		**Total**
Net assets (deficiency), beginning of year	$	(617,471)	$	2,156,333	**$**	**1,538,862**
Excess (deficiency) of revenues over expenses		176,026		(807,530)		**(631,504)**
Investment in property and equipment, net		(418,454)		418,454		-
Net assets (deficiency), end of year	$	(859,899)	$	1,767,257	**$**	**907,358**

2017		Unrestricted (deficiency)		Invested in property and equipment		Total
Net assets, beginning of year	$	258,772	$	2,273,393	$	2,532,165
Excess (deficiency) of revenues over expenses		(181,627)		(811,676)		(993,303)
Investment in property and equipment, net		(694,616)		694,616		-
Net assets (deficiency), end of year	$	(617,471)	$	2,156,333	$	1,538,862

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

		2018		2017
Cash provided by (used in):				
Operating activities:				
Deficiency of revenues over expenses	$	**(631,504)**	$	(993,303)
Amortization of property and equipment		**1,166,158**		1,002,971
Straight-line rent (note 10)		**277,500**		314,674
Amortization of deferred capital contributions (note 8)		**(25,336)**		(30,964)
Amortization of deferred tenant inducements (note 10)		**(333,292)**		(160,331)
		453,526		133,047
Change in non-cash operating working capital				
Accounts receivable		**749,573**		(377,122)
Prepaid expenses, deposits and other		**6,993**		4,874
Non-current prepaid expenses and deposits		**(73,642)**		(151,781)
Accounts payable and accrued liabilities		**(1,024,072)**		295,229
Deferred revenues		**17,413**		12,782
Deferred contributions		**159,583**		14,918
		289,374		(68,053)
Financing activities:				
Repayment of obligations under capital lease		**-**		(1,887)
Repayment of long-term debt (note 9)		**(151,192)**		(68,994)
Capital contributions received		**-**		200,000
Tenant inducement received (note 10)		**482,018**		1,568,393
Proceeds from long-term debt (note 9)		**-**		1,500,000
		330,826		3,197,512
Investing activities:				
Unrealized gain on investments		**(3,451)**		(5,611)
Proceeds from sale of investments		**571,519**		-
Purchase of investments		**(500,000)**		-
Purchase of property and equipment		**(749,280)**		(3,892,128)
		(681,212)		(3,897,739)
Net decrease in cash and cash equivalents		**(61,012)**		(768,280)
Cash and cash equivalents, beginning of year		**1,046,845**		1,815,125
Cash and cash equivalents, end of year	$	**985,833**	$	1,046,845
Supplemental cash flow information:				
Cash interest paid	$	**115,513**	$	30,310
Cash interest received		**5,555**		4,206

See accompanying notes to financial statements.

1. Purpose of the organization

Goodwill Industries of Alberta (Registered Society) ("Goodwill") is a non-profit registered charity incorporated without share capital under the Societies Act of Alberta. Goodwill is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Revenue recognition

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

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. Grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks, net of bank overdrafts. Bank borrowings are considered to be financing activities.

(c) Inventory

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

2. Significant accounting policies (continued)

(d) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to Goodwill's ability to provide services, its carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and electronic equipment	3 years
Furniture and equipment	10 years
Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

(e) Employee future benefits

Prior to December 31, 2013, Goodwill had a defined contribution plan that was funded by the employee and employer on a shared basis. Goodwill also had a defined benefit plan covering certain employees that was funded entirely by Goodwill. These plans provided pension, other retirement and post-employment benefits to most of Goodwill's employees. Effective December 31, 2013, the Trustee approved the termination of both plans and both plans began to wind-down following approval from regulatory agencies.

Effective January 1, 2014, Goodwill established a group Registered Retirement Savings Plan (Group RRSP) that is funded by the employee and the employer on a shared basis. Contributions to the Group RRSP for current service is recognized when the contribution is paid (or payable) based on pay dates.

(f) Leases and tenant inducements

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

2. Significant accounting policies (continued)

(g) 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. Goodwill has elected to carry its investments 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, Goodwill 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 expected cash flows, the amount that could be realized from selling the financial asset or the amount Goodwill 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.

(h) Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, rates and methods to calculate amortization, assets and obligations related to employee future benefits, accrued liabilities related to tenant inducements and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. Investments

		2018		2017
Cashable and redeemable ATB Financial guaranteed investment certificate with annual interest rate of 1.55% with maturity in 2019	$	500,000	$	-
Investment cash account		-		114,857
Investment savings account		-		341,537
Corporate guaranteed investment certificate with stated annually compounding interest rate of 1.9% with maturity in 2018		-		111,674
		500,000		568,068
Cashable and redeemable ATB Financial guaranteed investment certificate with annual interest rate of 1.55% with maturity in 2019		275,000		-
RBC guaranteed investment certificate with stated annual interest rate of 0.5%		-		275,000
	$	775,000	$	843,068

The ATB Financial (2017 – RBC) guaranteed investment certificate (GIC) with a carrying amount of $275,000 is restricted as cash security for an irrevocable letter of credit issued by Goodwill through ATB Financial (2017 – RBC) with the same face value (note 11). The GIC is renewable annually for three (2017 – four) years.

4. Property and equipment

2018		Cost		Accumulated Amortization		**Net Book Value**
Computers and electronic equipment	$	**742,626**	$	**541,419**	$	**201,207**
Furniture and equipment		**2,155,909**		**818,648**		**1,337,261**
Vehicles		**258,966**		**250,744**		**8,222**
Leasehold improvements		**7,570,355**		**2,855,337**		**4,715,018**
Total property and equipment	$	**10,727,856**	$	**4,466,148**	$	**6,261,708**

2017		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	766,222	$	399,914	$	366,308
Furniture and equipment		2,134,829		740,550		1,394,279
Vehicles		258,966		220,903		38,063
Leasehold improvements		7,368,633		2,488,697		4,879,936
Total property and equipment	$	10,528,650	$	3,850,064	$	6,678,586

4. Property and equipment (continued)

During the year, Goodwill wrote off fully amortized assets. Reductions to cost and accumulated amortization were $550,074 (2017 - $1,024,840).

Furniture and equipment includes assets under capital lease with a cost of $96,042 (2017 - $96,042) and accumulated amortization of $67,230 (2017 - $57,625).

5. Credit facility

Goodwill has a demand operating loan available to a maximum of $1,000,000 (2017 – $400,000) of which $nil (2017 – $nil) was outstanding at December 31, 2018. The facility bears interest at the bank's prime rate plus 2.0% (2017 – prime rate plus 0.25%). The facility is secured by an investment portfolio with a minimum market value of $500,000 (2017 - $400,000) supported by a security agreement constituting a first ranking security interest in the investment portfolio. The facility is subject to certain financial covenants, including the requirement to maintain a working capital ratio of at least 1:1. At December 31, 2018, Goodwill was not in compliance with the working capital ratio; however, it is management's understanding that all credit under the facility remains available.

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $83,347 (2017 - $73,350) which includes payroll related taxes.

7. Deferred contributions

Deferred contributions relate to the provision of services to Ministries of the Government of Alberta. Changes in deferred contributions are as follows:

		2018		2017
Balance, beginning of year	$	430,907	$	415,989
Contributions received/receivable		2,542,144		2,461,879
Contributions recognized as revenue		(2,382,561)		(2,446,961)
Balance, end of year	$	590,490	$	430,907

8. Deferred capital contributions

Changes in deferred capital contributions are as follows:

		2018		2017
Balance, beginning of year	$	193,170	$	24,134
Contributions received		-		200,000
Contributions recognized as revenue		(25,336)		(30,964)
Balance, end of year	$	167,834	$	193,170

9. Long-term debt

		2018		2017
Loan payable to Alberta Social Enterprise Venture Fund Inc. (ASEV) bearing interest at 5%, repayable in blended monthly payments of $9,213, maturing on March 15, 2021	$	**234,811**	$	331,006
Loan payable to ASEV bearing interest at 6.5%, repayable in blended monthly payments of $35,573, maturing on October 15, 2022		**1,445,003**		**1,500,000**
Balance, end of year		**1,679,814**		1,831,006
Less current portion of long-term debt		**(444,180)**		(151,192)
	$	**1,235,634**	$	1,679,814

Loans payable to ASEV are secured by a general security agreement.

10. Straight-line rent and tenant inducements

		2018		2017
Tenant inducements	$	**2,646,803**	$	2,498,077
Straight-line rent		**1,397,406**		1,119,906
	$	**4,044,209**	$	3,617,983

During the year, Goodwill received $482,018 (2017 - $1,568,393) in tenant inducements and recognized $333,292 (2017 – $160,331) of amortization of deferred tenant inducements as a reduction in rent expense. In addition, during the year Goodwill recognized net straight-line rent expense of $277,500 (2017 – $314,674).

11. Commitments and contingencies

		Premises base rent		Vehicles and equipment rent		Total
2019	$	5,446,976	$	75,205	$	**5,522,181**
2020		5,143,001		74,398		**5,217,399**
2021		4,700,876		72,485		**4,773,361**
2022		3,956,781		47,092		**4,003,873**
2023		3,859,718		25,756		**3,885,474**

Goodwill has issued, through ATB Financial (2017 - Royal Bank of Canada (RBC)), an irrevocable letter of credit to a landlord in the amount of $275,000 in support of Goodwill's commitments under the terms of a lease agreement. The letter of credit can be drawn down by the landlord if Goodwill does not fulfill its commitments under the lease. The letter of credit is renewable annually for three (2017 – four) years and is fully secured by a restricted investment (note 3).

11. Commitments and contingencies (continued)

During the year, Goodwill was named in a lawsuit by a former landlord/owner claiming certain costs, penalties and damages pertaining to the terms of a lease that terminated during 2017. Goodwill has filed a Statement of Defense denying all allegations. The final outcome of the lawsuit is not presently determinable.

Subsequent to year end, Goodwill negotiated the early termination of the lease for one of its facilities for a total lump sum cash payment to be made in 2019 of $730,000 (including taxes). This payment is not reflected in the base rent commitments noted above.

12. Employee future benefits

On October 15, 2013, the Trustee approved the termination of the defined benefit plan and the defined contribution plan effective December 31, 2013. Notices of plan termination were sent to Canada Revenue Agency, Alberta Finance and Enterprise and all active defined benefit and defined contribution plan members stating that contributions into the defined contribution plan would no longer be made after December 31, 2013.

During 2014, funds were disbursed out of the defined benefit plan and defined contribution plan for all active employees subject to statutory limitations. Following the disbursement of any remaining funds, which is expected to be substantially completed by December 31, 2019, both plans will be deregistered. Goodwill does not expect a significant plan deficiency or plan surplus following full disbursement of member funds.

13. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk arises from the possibility that the entities to which Goodwill sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance. Substantially all of Goodwill's commercial sales are settled at the transaction date.

(b) Interest rate risk

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2018, the demand operating loan was not drawn on and in management's opinion, Goodwill is not exposed to significant interest rate risk. The interest rate on the long-term debt is fixed for the term of the loans.

(c) Foreign currency risk

Foreign currency risk relates to holding funds in a US bank account used to pay US suppliers. In management's opinion, Goodwill is not exposed to significant foreign currency risk.

14. Operating expenses

Further details of operating expenses include the following:

	2018	2017
Human resource costs		
Salaries and wages	**$ 15,582,855**	$ 14,756,004
Employee benefits	**1,702,581**	1,520,853
Training, recruitment and other costs	**150,772**	175,287
Contracted labour	**126,185**	119,059
	$ 17,562,393	$ 16,571,203
Occupancy costs		
Rent and other occupancy costs	**$ 6,728,863**	$ 6,576,726
Repairs and maintenance	**744,819**	611,595
Utilities	**422,315**	385,348
Telephone and communications	**159,676**	165,175
Insurance	**118,184**	108,521
	$ 8,173,857	$ 7,847,365
Other operating costs		
Advertising and promotion	**$ 489,938**	$ 413,500
Interest and bank charges	**379,757**	249,731
Vehicle leases, rent, fuel and other	**353,208**	276,548
Audit and professional fees	**342,986**	256,742
Disposal fees	**320,141**	440,659
Fees and other dues	**160,471**	162,274
Travel	**87,379**	125,717
Affiliation dues	**79,956**	76,046
Postage and delivery	**15,197**	22,796
	$ 2,229,033	$ 2,024,013
Materials costs		
Supplies	**$ 762,004**	$ 868,323
Materials	**18,432**	24,315
	$ 780,436	$ 892,638

Financial Statements of

GOODWILL INDUSTRIES OF ALBERTA
(Registered Society)

Year ended December 31, 2019

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Financial Statements

Year ended December 31, 2019

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of Goodwill Industries of Alberta (Registered Society)

Opinion

We have audited the financial statements of Goodwill Industries of Alberta (Registered Society), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets 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 Registered Society as at December 31, 2019, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Auditors' 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 auditors' 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.

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 Registered 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 Registered 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 auditors' 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 auditors' report. However, future events or conditions may cause the Registered 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.
- 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

Edmonton, Canada

April 21, 2020

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Financial Position

December 31, 2019, with comparative information for 2018

		2019		2018
ASSETS				
Current				
Cash and cash equivalents	$	**1,828,340**	$	985,833
Investments (note 3)		**512,013**		500,000
Accounts receivable		**513,579**		309,903
Prepaid expenses and deposits		**709,339**		818,712
		3,563,271		2,614,448
Non-current investments (note 3)		**275,000**		275,000
Property and equipment (note 4)		**6,366,669**		6,261,708
	$	**10,204,940**	$	9,151,156
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accruals (note 6)	$	**1,662,463**	$	1,681,116
Deferred revenues		**678,628**		670,825
Scheduled cash repayments for long-term debt (note 7)		**472,301**		444,180
		2,813,392		2,796,121
Callable debt (note 7)		**350,000**		-
		3,163,392		2,796,121
Long-term debt (note 7)		**763,334**		1,235,634
Deferred capital contributions (note 8)		**142,497**		167,834
Straight-line rent and tenant inducements (note 9)		**5,495,579**		4,044,209
		9,564,802		8,243,798
Net assets		**640,138**		907,358
	$	**10,204,940**	$	9,151,156

Credit facility (note 5)
Commitments and contingencies (note 10)
Subsequent event (note 14)

See accompanying notes to financial statements.

On behalf of the Board:

______________________________, Director ______________________________, Director

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

		2019		2018
Operating revenues				
Commercial	$	**30,274,056**	$	26,737,544
Provincial contract fees		**2,204,619**		2,382,561
Donations, grants and contributions		**272,570**		124,487
Interest revenue		**13,367**		10,445
		32,764,612		29,255,037
Operating expenses (note 13)				
Human resources		**18,957,729**		17,562,393
Occupancy		**9,222,993**		8,507,149
Other operating		**2,226,654**		2,229,033
Materials		**1,144,885**		780,436
		31,552,261		29,079,011
Excess of revenues over expenses before the under-noted		**1,212,351**		176,026
Amortization of deferred capital contributions		**25,337**		25,336
Amortization of deferred tenant inducements		**480,079**		333,292
Amortization of property and equipment		**(1,188,578)**		(1,166,158)
Lease termination fee		**(712,619)**		-
Loss on disposal of property and equipment		**(83,790)**		-
Deficiency of revenues over expenses	$	**(267,220)**	$	(631,504)

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

2019		Unrestricted (deficiency)		Invested in property and equipment		**Total**
Balance, beginning of year	$	(859,899)	$	1,767,257	**$**	**907,358**
Excess (deficiency) of revenues over expenses		499,732		(766,952)		**(267,220)**
Investment in property and equipment, net		312,110		(312,110)		-
Balance, end of year	$	(48,057)	$	688,195	**$**	**640,138**

2018		Unrestricted (deficiency)		Invested in property and equipment		Total
Balance, beginning of year	$	(617,471)	$	2,156,333	$	1,538,862
Excess (deficiency) of revenues over expenses		176,026		(807,530)		(631,504)
Investment in property and equipment, net		(418,454)		418,454		-
Balance, end of year	$	(859,899)	$	1,767,257	$	907,358

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Cash Flow

Year ended December 31, 2019, with comparative information for 2018

		2019		2018
Cash provided by (used in):				
Operating activities:				
Deficiency of revenues over expenses	**$**	**(267,220)**	$	(631,504)
Amortization of property and equipment		**1,188,578**		1,166,158
Straight-line rent (note 9)		**147,830**		277,500
Amortization of deferred capital contributions (note 8)		**(25,337)**		(25,336)
Amortization of deferred tenant inducements (note 9)		**(480,079)**		(333,292)
Gain on settlement of accounts payable and accruals (note 4)		**(416,113)**		-
Loss on write-down of property and equipment (note 4)		**416,113**		-
Loss on disposal of property and equipment		**83,790**		-
		647,562		453,526
Change in non-cash operating working capital				
Accounts receivable		**(203,676)**		749,573
Prepaid expenses and deposits		**109,373**		(66,649)
Accounts payable and accrued liabilities		**397,460**		(1,024,072)
Deferred revenues		**7,803**		176,996
		958,522		289,374
Financing activities:				
Proceeds from callable debt (note 7)		**350,000**		-
Repayment of long-term debt (note 7)		**(444,179)**		(151,192)
Tenant inducement received (note 9)		**1,783,619**		482,018
		1,689,440		330,826
Investing activities:				
Proceeds from sale of investments		**775,000**		568,068
Purchase of investments including reinvested investment income		**(787,013)**		(500,000)
Purchase of property and equipment		**(1,793,442)**		(749,280)
		(1,805,455)		(681,212)
Net increase (decrease) in cash and cash equivalents		**842,507**		(61,012)
Cash and cash equivalents, beginning of year		**985,833**		1,046,845
Cash and cash equivalents, end of year	**$**	**1,828,340**	$	985,833
Supplemental cash flow information:				
Cash interest paid	**$**	**112,730**	$	115,513
Cash interest received	**$**	**13,367**	$	5,555

See accompanying notes to financial statements.

1. Purpose of the organization

Goodwill Industries of Alberta (Registered Society) ("Goodwill") is a non-profit registered charity incorporated without share capital under the Societies Act of Alberta. Goodwill is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Revenue recognition

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

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. Grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks, net of bank overdrafts. Bank borrowings are considered to be financing activities.

(c) Inventory

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

2. Significant accounting policies (continued)

(d) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to Goodwill's ability to provide services, the relevant carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and electronic equipment	3 years
Furniture and equipment	10 years
Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

(e) Employee future benefits

Prior to December 31, 2013, Goodwill had a defined contribution plan that was funded by the employee and employer on a shared basis. Goodwill also had a defined benefit plan covering certain employees that was funded entirely by Goodwill. These plans provided pension, other retirement and post-employment benefits to most of Goodwill's employees. Effective December 31, 2013, the Trustee approved the termination of both plans and both plans began to wind-down following approval from regulatory agencies.

Effective January 1, 2014, Goodwill established a group Registered Retirement Savings Plan (Group RRSP) that is funded by the employee and the employer on a shared basis. Contributions to the Group RRSP for current service is recognized when the contribution is paid (or payable) based on pay dates.

(f) Leases and tenant inducements

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight-line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

2. Significant accounting policies (continued)

(g) 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. Goodwill has elected to carry its investments 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, Goodwill 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 expected cash flows, the amount that could be realized from selling the financial asset or the amount Goodwill 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.

(h) Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, rates and methods to calculate amortization, assets and obligations related to employee future benefits, accrued liabilities related to tenant inducements and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3. Investments

		2019		2018
Cashable and redeemable ATB Financial guaranteed investment certificate with annual interest rate of 0.5% with maturity in 2020	$	507,750	$	500,000
Cashable and redeemable ATB Financial guaranteed investment certificate with annual interest rate of 0.5% with maturity in 2020		279,263		275,000
		787,013		775,000
Less current portion		512,013		500,000
	$	**275,000**	$	275,000

A portion of the ATB Financial guaranteed investment certificate (GIC) with a carrying amount of $279,263 is restricted as cash security for an irrevocable letter of credit for $275,000 issued by Goodwill through ATB Financial (note 10). The GIC is renewable annually for two (2018 – three) years.

4. Property and equipment

2019		Cost		Accumulated Amortization		**Net Book Value**
Computers and electronic equipment	$	**823,889**	$	**689,386**	**$**	**134,503**
Furniture and equipment		**2,462,063**		**941,241**		**1,520,822**
Vehicles		**279,373**		**260,707**		**18,666**
Leasehold improvements		**7,774,622**		**3,081,944**		**4,692,678**
Total property and equipment	$	**11,339,947**	$	**4,973,278**	**$**	**6,366,669**

2018		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	742,626	$	541,419	$	201,207
Furniture and equipment		2,155,909		818,648		1,337,261
Vehicles		258,966		250,744		8,222
Leasehold improvements		7,570,355		2,855,337		4,715,018
Total property and equipment	$	10,727,856	$	4,466,148	$	6,261,708

During the year, Goodwill wrote off fully amortized assets resulting in a reduction to cost and accumulated amortization of $765,238 (2018 - $550,074).

During the year, Goodwill recognized a gain of $416,113 related to the resolution of a dispute with a supplier with respect to certain leasehold improvements. The gain was netted against a corresponding loss on the write-down of the related leasehold improvements of $416,113.

5. Credit facility

Goodwill has a demand operating loan available to a maximum of $1,000,000 (2018 – $1,000,000) of which $nil was outstanding at December 31, 2019 (2018 – $nil). The facility bears interest at the bank's prime rate plus 2.0% (2018 – prime rate plus 2.0%). The facility is secured by an investment portfolio with a minimum market value of $500,000 (2018 - $500,000) supported by a security agreement constituting a first ranking security interest in the investment portfolio. The facility is subject to certain financial covenants. At December 31, 2019, Goodwill was in compliance with the financial covenants.

6. Accounts payable and accruals

Included in accounts payable and accrued liabilities are government remittances payable of $94,962 (2018 - $83,347) which includes payroll related taxes.

7. Callable and long-term debt

		2019		2018
Callable loan payable to ATB bearing interest at 5.95%, with scheduled repayments in monthly interest-only payments to June 30, 2020, with blended monthly payments starting July 31, 2020, until June 30, 2024	**$**	**350,000**	$	-
Loan payable to Alberta Social Enterprise Venture Fund Inc. (ASEV) bearing interest at 5%, repayable in blended monthly payments of $9,213, maturing on March 15, 2021		**133,695**		234,811
Loan payable to ASEV bearing interest at 6.5%, repayable in blended monthly payments of $35,573, maturing on October 15, 2022		**1,101,940**		1,445,003
		1,585,635		1,679,814
Less:				
Scheduled cash repayments for long-term debt		**(472,301)**		(444,180)
Callable debt		**(350,000)**		-
	$	**763,334**	$	1,235,634

Loans payable to ASEV are secured by a general security agreement.

Management does not believe that the demand features of the callable debt will be exercised in the current year. Assuming payment of the callable debt is not demanded, regular principal payments required on all callable and long-term debt for the next five years are due as follows:

2020	**$511,644**
2021	**500,238**
2022	**432,680**
2023	**92,646**
2024	**48,427**

8. Deferred capital contributions

Changes in deferred capital contributions are as follows:

		2019		2018
Balance, beginning of year	**$**	**167,834**	$	193,170
Contributions recognized as revenue		**(25,337)**		(25,336)
Balance, end of year	$	142,497	$	167,834

9. Straight-line rent and tenant inducements

		2019		2018
Tenant inducements	**$**	**3,950,343**	$	2,646,803
Straight-line rent		**1,545,236**		1,397,406
	$	**5,495,579**	$	4,044,209

During the year, Goodwill received $1,783,619 (2018 - $482,018) in tenant inducements and recognized $480,079 (2018 – $333,292) of amortization of deferred tenant inducements. In addition, during the year Goodwill recognized net straight-line rent expense of $147,830 (2018 – $277,500).

10. Commitments and contingencies

	Premises base rent	Vehicles and equipment rent	Total
2020	$5,818,300	$106,800	**$5,925,100**
2021	5,440,000	105,300	**5,545,300**
2022	4,698,900	79,900	**4,778,800**
2023	4,634,700	56,500	**4,691,200**
2024	4,405,700	59,900	**4,465,600**

Goodwill has issued, through ATB Financial, an irrevocable letter of credit to a landlord in the amount of $275,000 in support of Goodwill's commitments under the terms of a lease agreement. The letter of credit can be drawn down by the landlord if Goodwill does not fulfill its commitments under the lease. The letter of credit is renewable annually for two years and is fully secured by a restricted investment (note 3).

In the prior year, Goodwill was named in a lawsuit by a former landlord/owner claiming certain costs, penalties and damages pertaining to the terms of a lease that terminated during 2017. Goodwill has filed a Statement of Defense denying all allegations. The final outcome of the lawsuit is not presently determinable.

11. Employee future benefits

On October 15, 2013, the Trustee approved the termination of the defined benefit plan and the defined contribution plan effective December 31, 2013. Notices of plan termination were sent to Canada Revenue Agency, Alberta Finance and Enterprise and all active defined benefit and defined contribution plan members stating that contributions into the defined contribution plan would no longer be made after December 31, 2013.

In 2014, funds were disbursed out of the defined benefit plan and defined contribution plan for all active employees subject to statutory limitations. Following the disbursement of any remaining funds, which is expected to be substantially completed by December 31, 2020, both plans will be deregistered. Goodwill does not expect a significant plan deficiency or plan surplus following full disbursement of member funds.

At December 31, 2019, Goodwill is holding $770,000 (2018 - $749,000) in trust on behalf of the members of the plans.

12. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk arises from the possibility that the entities to which Goodwill sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance. Substantially all of Goodwill's commercial sales are settled at the transaction date.

(b) Interest rate risk

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2019, the demand operating loan was not drawn on. In management's opinion, Goodwill is not exposed to significant interest rate risk. The interest rate on the callable and long-term debt is fixed for the term of the loans.

(c) Foreign currency risk

Foreign currency risk relates to holding funds in a US or other foreign bank account used to pay US or other foreign suppliers. In management's opinion, Goodwill is not exposed to significant foreign currency risk.

13. Operating expenses

Further details of operating expenses include the following:

	2019	2018
Human resource costs		
Salaries and wages	**$ 16,805,178**	$ 15,582,855
Employee benefits	**1,851,823**	1,702,581
Contracted labour	**156,838**	126,185
Training, recruitment and other costs	**143,890**	150,772
	$ 18,957,729	$ 17,562,393
Occupancy costs		
Rent and other occupancy costs	**$ 7,500,417**	$ 7,062,155
Repairs and maintenance	**767,056**	744,819
Utilities	**457,068**	422,315
Security guard services	**198,894**	-
Telephone and communications	**168,721**	159,676
Insurance	**130,837**	118,184
	$ 9,222,993	$ 8,507,149
Other operating costs		
Advertising and promotion	**$ 419,069**	$ 489,938
Vehicle leases, rent, fuel and other	**403,088**	353,208
Audit and professional fees	**392,821**	342,986
Disposal fees	**274,150**	320,141
Bank charges and interest	**263,637**	268,040
Fees and other dues	**183,560**	160,471
Interest on long-term debt	**93,249**	111,717
Travel	**89,748**	87,379
Affiliation dues	**81,022**	79,956
Postage and delivery	**15,013**	15,197
Interest on callable debt	**11,297**	-
	$ 2,226,654	$ 2,229,033
Materials costs		
Supplies	**$ 1,094,652**	$ 762,004
Materials	**50,233**	18,432
	$ 1,144,885	$ 780,436

14. Subsequent event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, Goodwill has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic based on recommendations of public health authorities and accepted best practice:

- Temporarily closed all retail stores and donation collection centres from March 21, 2020,
- Temporarily closed substantially all mission service delivery from March 25, 2020,
- Temporarily laid off substantially all hourly and salaried employees related to closures,
- Mandated working from home requirements for those able to do so.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

15. Comparative information

Certain comparative information has been reclassified to conform with current year's presentation.

Financial Statements of

GOODWILL INDUSTRIES OF ALBERTA
(Registered Society)

Year ended December 31, 2020

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Financial Statements

Year ended December 31, 2020

KPMG LLP
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Edmonton, AB T5J 0H3
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INDEPENDENT AUDITORS' REPORT

To the Members of Goodwill Industries of Alberta (Registered Society)

Opinion

We have audited the financial statements of Goodwill Industries of Alberta (Registered Society), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets 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 Registered Society as at December 31, 2020, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Auditors’ 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 auditors’ 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.

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 Registered 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 Registered 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 auditors' 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 auditors' report. However, future events or conditions may cause the Registered 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.
- 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

Edmonton, Canada

April 20, 2021

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Financial Position

December 31, 2020, with comparative information for 2019

		2020		2019
ASSETS				
Current				
Cash and cash equivalents	$	**2,566,410**	$	1,828,340
Investments (note 3)		**500,000**		512,013
Accounts receivable		**651,105**		513,579
Prepaid expenses and deposits		**893,063**		709,339
		4,610,578		3,563,271
Non-current investments (note 3)		**275,000**		275,000
Property and equipment (note 4)		**5,740,027**		6,366,669
	$	**10,625,605**	$	10,204,940
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accruals (note 5)	$	**3,366,617**	$	1,662,463
Deferred revenues		**660,252**		678,628
Current portion of long-term debt (note 6)		**473,555**		472,301
		4,500,424		2,813,392
Callable debt (note 6)		**342,923**		350,000
		4,843,347		3,163,392
Long-term debt (note 6)		**561,377**		763,334
Unamortized deferred capital contributions (note 7)		**119,997**		142,497
Straight-line rent and tenant inducements (note 8)		**5,111,088**		5,495,579
		10,635,809		9,564,802
Net (deficiency) assets		**(10,204)**		640,138
	$	**10,625,605**	$	10,204,940

Credit facility (note 6)
Commitments and contingencies (note 10)
Impacts of COVID-19 (note 13)

See accompanying notes to financial statements.

On behalf of the Board:

________________________________, Director ________________________________, Director

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

		2020		2019
Operating revenues				
Commercial	**$**	**23,614,342**	$	30,274,056
Federal subsidies (note 13)		**2,295,714**		-
Provincial contract fees		**1,387,065**		2,204,619
Donations, grants and contributions		**60,396**		272,570
Interest revenue		**2,128**		13,367
		27,359,645		32,764,612
Operating expenses (note 12)				
Human resources		**15,047,405**		18,957,729
Occupancy		**9,521,057**		9,222,993
Other operating		**1,665,017**		2,226,654
Materials		**1,167,831**		1,144,885
		27,401,310		31,552,261
(Deficiency) excess of revenues over expenses before the under-noted		**(41,665)**		1,212,351
Amortization of deferred capital contributions		**22,500**		25,337
Amortization of deferred tenant inducements		**458,136**		480,079
Amortization of property and equipment		**(1,089,313)**		(1,188,578)
Lease termination fee		-		(712,619)
Loss on disposal of property and equipment		**-**		(83,790)
Deficiency of revenues over expenses	**$**	**(650,342)**	**$**	(267,220)

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Changes in Net (Deficiency) Assets

Year ended December 31, 2020, with comparative information for 2019

2020		Unrestricted (deficiency)		Invested in property and equipment		**Total**
Balance, beginning of year	$	(48,056)	$	688,194	**$**	**640,138**
Deficiency of revenues over expenses		(41,665)		(608,677)		**(650,342)**
Investment in property and equipment, net		(670,451)		670,451		-
Balance, end of year	$	(760,172)	$	749,968	**$**	**(10,204)**

2019		Unrestricted (deficiency)		Invested in property and equipment		Total
Balance, beginning of year	$	(859,899)	$	1,767,257	$	907,358
Excess (deficiency) of revenues over expenses		499,732		(766,952)		(267,220)
Investment in property and equipment, net		312,111		(312,111)		-
Balance, end of year	$	(48,056)	$	688,194	$	640,138

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Cash Flow

Year ended December 31, 2020, with comparative information for 2019

		2020		2019
Cash provided by (used in):				
Operating activities:				
Deficiency of revenues over expenses	$	**(650,342)**	$	(267,220)
Amortization of property and equipment		**1,089,313**		1,188,578
Straight-line rent (note 8)		**73,645**		147,830
Amortization of deferred capital contributions (note 7)		**(22,500)**		(25,337)
Amortization of deferred tenant inducements (note 8)		**(458,136)**		(480,079)
Gain on settlement of accounts payable and accruals		-		(416,113)
Loss on write-down of property and equipment		-		416,113
Loss on disposal of property and equipment		-		83,790
		31,980		647,562
Change in non-cash operating working capital				
Accounts receivable		**(137,526)**		(203,676)
Prepaid expenses and deposits		**(183,724)**		109,373
Accounts payable and accrued liabilities		**1,704,154**		397,460
Deferred revenues		**(18,376)**		7,803
		1,396,508		958,522
Financing activities:				
Proceeds from callable and long-term debt (note 6)		**-**		**350,000**
Repayments of callable and long-term debt (note 6)		**(207,780)**		(444,179)
Tenant inducement received (note 8)		**-**		1,783,619
		(207,780)		1,689,440
Investing activities:				
Proceeds from disposal of investments		**787,013**		775,000
Purchase of investments including reinvested investment income		(**775,000**)		(787,013)
Purchase of property and equipment		**(462,671)**		(1,793,442)
		(450,658)		(1,805,455)
Net increase in cash and cash equivalents		**738,070**		842,507
Cash and cash equivalents, beginning of year		**1,828,340**		985,833
Cash and cash equivalents, end of year	**$**	**2,566,410**	$	1,828,340
Supplemental cash flow information:				
Cash interest paid	**$**	**92,288**	$	112,730
Cash interest received	**$**	**2,128**	$	13,367

See accompanying notes to financial statements.

1. Purpose of the organization

Goodwill Industries of Alberta (Registered Society) ("Goodwill") is a non-profit registered charity incorporated without share capital under the Societies Act of Alberta. Goodwill is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

During the year, Goodwill operated 13 thrift retail stores and nine stand-alone donation collection centres throughout Alberta as well as performed extensive recycling and repurposing of donated items in addition to providing services under contract regarding employment opportunities for persons with disabilities. Goodwill has entered into new leases that will add two new retail sites, one stand-alone donation collection site, one expansion of an existing retail site and a new warehouse in 2021. Two existing retail sites are expected to be closed in 2021.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Revenue recognition

Goodwill follows the deferral method of accounting for contributions and operating subsidies. Restricted contributions and operating subsidies are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions and subsidies for the purchase of property and equipment are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment. Unrestricted contributions and subsidies are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. Grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts.

2. Significant accounting policies (continued)

(c) Inventory

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

(d) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to Goodwill's ability to provide services, the relevant carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and electronic equipment	3 years
Furniture and equipment	10 years
Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

(e) Employee future benefits

Prior to December 31, 2013, Goodwill had a defined contribution plan and a defined benefit plan covering certain employees. Effective December 31, 2013, the Trustee approved the termination of both plans and both plans began to wind-down.

Effective January 1, 2014, Goodwill established a group Registered Retirement Savings Plan (Group RRSP) that is funded by the employee and the employer on a shared basis. Contributions to the Group RRSP for current service is recognized when the contribution is paid (or payable) based on pay dates.

(f) Leases and tenant inducements

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight-line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

2. Significant accounting policies (continued)

(g) 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. Goodwill has elected to carry its investments 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, Goodwill 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 expected cash flows, the amount that could be realized from selling the financial asset or the amount Goodwill 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.

(h) Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the rates and methods to calculate amortization and impairments of property and equipment, assets and obligations related to employee future benefits and accrued liabilities related to tenant inducements. Actual results could differ from those estimates.

3. Investments

		2020		2019
Cashable and redeemable ATB Financial guaranteed investment certificate with annual interest rate of 0.63% (2019 - 0.5%) with maturity within one year	$	500,000	$	507,750
Cashable and redeemable ATB Financial guaranteed investment certificate with annual interest rate of 0.63% (2019 - 0.5%) with maturity with one year		275,000		279,263
		775,000		787,013
Less current portion		500,000		512,013
	$	**275,000**	$	275,000

A portion of the ATB Financial guaranteed investment certificate (GIC) with a carrying amount of $275,000 is restricted as cash security for an irrevocable letter of credit for $275,000 issued by Goodwill through ATB Financial (note 10).

4. Property and equipment

2020		Cost		Accumulated Amortization		**Net Book Value**
Computers and electronic equipment	$	**868,392**	$	**733,405**	**$**	**134,987**
Furniture and equipment		**2,465,070**		**1,000,279**		**1,464,791**
Vehicles		**279,373**		**269,016**		**10,357**
Leasehold improvements		**7,795,094**		**3,665,202**		**4,129,892**
Total property and equipment	$	**11,407,929**	$	**5,667,902**	**$**	**5,740,027**

2019		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	823,889	$	689,386	$	134,503
Furniture and equipment		2,462,063		941,241		1,520,822
Vehicles		279,373		260,707		18,666
Leasehold improvements		7,774,622		3,081,944		4,692,678
Total property and equipment	$	11,339,947	$	4,973,278	$	6,366,669

During the year, Goodwill wrote off fully amortized assets resulting in a reduction to cost and accumulated amortization of $394,689 (2019 - $765,238).

5. Accounts payable and accruals

		2020		2019
Government remittances including payroll taxes	**$**	**103,953**	$	94,962
Operating expenditures		**890,662**		812,086
Payroll and payroll related		**1,003,540**		755,415
Deferred rent and occupancy costs (note 13)		**1,368,462**		-
	$	**3,366,617**	$	1,662,463

6. Long term debt and credit facility

		2020		2019
Callable loan payable to ATB bearing interest at 5.95%, with scheduled repayments in monthly interest-only payments to November 30, 2020, with blended monthly payments starting December 31, 2020 of $8,400, until September 30, 2024	**$**	**342,923**	$	350,000
Loan payable to Alberta Social Enterprise Venture Fund Inc. (ASEV) bearing interest at 5%, repayable in blended monthly payments of $9,442, maturing on September 15, 2021		**83,239**		133,695
Loan payable to ASEV bearing interest at 6.5%, repayable in blended monthly payments of $36,722, maturing on April 15, 2023		**951,693**		1,101,940
		1,377,855		1,585,635
Less:				
Scheduled cash repayments for long-term debt		**(473,555)**		(472,301)
Callable debt		**(342,923)**		(350,000)
	$	**561,377**	$	763,334

During the year there were loan payment deferrals as noted in Note 13 that impacted total repayments during the year and extended the amortization period.

Loans payable to ASEV are secured by a general security agreement. Management does not believe that the demand features of the callable debt will be exercised in the current year. Assuming payment of the callable debt is not demanded, regular principal payments required on all callable and long-term debt for the next five years are due as follows:

2021	**$558,718**
2022	**505,957**
2023	**239,194**
2024	**73,985**

6. Long term debt and credit facility (continued)

Goodwill has a demand operating loan facility available to a maximum of $1,000,000 (2019 - $1,000,000) of which $nil was outstanding at December 31, 2020 (2019 - $nil). The facility bears interest at the bank's prime rate plus 2.0% (2019 - prime rate plus 2.0%). The facility is secured by an investment portfolio with a minimum market value of $500,000 (2019 - $500,000) supported by a security agreement constituting a first ranking security interest in the investment portfolio. The facility is subject to certain financial covenants. At December 31, 2020, Goodwill was not in compliance with one of two financial covenants. However, the lender has agreed to not take action with respect to the covenant breach until at least April 30, 2021 after which it will review the financial covenants. Management expects all credit facilities to remain in place.

7. Unamortized deferred capital contributions

Changes in unamortized deferred capital contributions are as follows:

		2020		2019
Balance, beginning of year	**$**	**142,497**	$	167,834
Recognized as revenue		**(22,500)**		(25,337)
Balance, end of year	$	119,997	$	142,497

8. Straight-line rent and tenant inducements

		2020		2019
Tenant inducements	**$**	**3,492,207**	$	3,950,343
Straight-line rent		**1,618,881**		1,545,236
	$	**5,111,088**	$	5,495,579

During the year, Goodwill received $nil (2019 - $1,783,619) in tenant inducements and recognized $458,136 (2019 - $480,079) of amortization of deferred tenant inducements. In addition, during the year Goodwill recognized net straight-line rent expense of $73,645 (2019 - $147,830).

9. Employee future benefits

The Goodwill defined benefit and defined contribution pension plans were terminated effective December 31, 2013. At December 31, 2020, Goodwill is holding $719,000 (2019 - $770,000) in trust on behalf of the members of the plans for payment of remaining available benefits to members, expected to be completed in 2021. Goodwill does not expect a significant plan deficiency or plan surplus following full disbursement of member funds.

10. Commitments and contingencies

	Premises base rent	Vehicles and equipment rent	**Total**
2021	$6,995,032	$276,364	**$7,271,396**
2022	6,581,106	223,747	**6,804,853**
2023	6,571,694	198,269	**6,769,963**
2024	6,238,564	157,451	**6,396,015**
2025	5,649,875	117,874	**5,767,749**

The premises base rent payments include a lease with monthly rent of $23,033, that is cancellable with 60 days' notice and without penalty.

Goodwill has issued, through ATB Financial, an irrevocable letter of credit to a landlord in the amount of $275,000 in support of Goodwill's commitments under the terms of a lease agreement. The letter of credit can be drawn down by the landlord if Goodwill does not fulfill its commitments under the lease. The letter of credit is renewable for one year and is fully secured by a restricted investment (note 3).

Goodwill has been named in a lawsuit by a former landlord claiming certain costs, penalties and damages pertaining to a lease that terminated in 2017. Goodwill has filed a Statement of Defense denying all allegations. The final outcome of the lawsuit is not presently determinable.

11. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk arises from the possibility that the entities to which Goodwill sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance. Substantially all of Goodwill's commercial sales are settled at the transaction date.

(b) Interest rate risk

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2020, the demand operating loan had a Nil balance. In management's opinion, Goodwill is not exposed to significant interest rate risk. The interest rate on the callable and long-term debt is fixed for the term of the loans.

(c) Foreign currency risk

Foreign currency risk relates to holding funds in a US or other foreign bank account used to pay US or other foreign suppliers. In management's opinion, Goodwill is not exposed to significant foreign currency risk.

(d) Liquidity risk

Goodwill monitors and manages its liquidity risk to ensure it has access to sufficient funds to meet operational, investing and financing requirements.

11. Financial risks and concentration of credit risk (continued)

(d) Liquidity risk (continued)

Subject to the impacts of COVID-19 (note 13), Management is confident that future cash flows from operations and the availability of credit under existing credit arrangements is adequate to support Goodwill's financial liquidity needs under normal and stressed conditions. Available sources of liquidity include a revolving credit facility of up to $1,000,000, available term loans of $650,000 and additional debt availability of $800,000.

12. Operating expenses

Further details of operating expenses include the following:

		2020		2019
Human resource costs				
Salaries and wages	**$**	**13,299,298**	$	16,805,178
Employee benefits		**1,522,499**		1,851,823
Contracted labour		**124,444**		156,838
Training, recruitment and other costs		**101,164**		143,890
		15,047,405	$	18,957,729
Occupancy costs				
Rent and other occupancy costs	**$**	**8,060,354**	$	7,500,417
Repairs and maintenance		**629,625**		767,056
Utilities		**443,371**		457,068
Telephone and communications		**183,334**		168,721
Insurance		**143,506**		130,837
Security guard services		**60,867**		198,894
	$	**9,521,057**	$	9,222,993
Other operating costs				
Audit and professional fees	**$**	**345,846**	$	392,821
Vehicle leases, rent, fuel and other		**311,684**		403,088
Disposal fees		**232,651**		274,150
Advertising and promotion		**209,147**		419,069
Bank charges and interest		**182,746**		263,637
Fees and other dues		**156,159**		183,560
Affiliation dues		**76,221**		81,022
Interest on long-term debt		**72,147**		93,249
Travel		**49,724**		89,748
Interest on callable debt		**18,690**		11,297
Postage and delivery		**10,002**		15,013
	$	**1,665,017**	$	2,226,654
Materials costs				
Supplies	**$**	**1,039,667**	$	1,094,652
Pandemic supplies (note 13)		**111,518**		-
Materials		**16,646**		50,233
	$	**1,167,831**	$	1,144,885

13. Impacts of COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The Government of Alberta subsequently announced a state of public health emergency related to the spread of the COVID-19 virus and implemented a Public Health Order restricting certain businesses and forcing workplace closures to protect the public and limit the virus spread. Goodwill's operations were deemed non-essential and all operations were temporarily closed for approximately two months. Operations were gradually resumed following the announced phased re-opening strategy. Operations remained subject to certain varying restrictions through the rest of the year. Additional pandemic supply costs were incurred to comply with public health restrictions and recommendations. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to Goodwill is not known at this time. Estimates and judgments made by management in the preparation of these financial statements may be subject to a higher degree of measurement uncertainty during this volatile period.

Goodwill took actions to manage its financial position by temporarily laying off staff, closing sites and reducing operating and planned capital expenditures. Goodwill negotiated deferrals on payments for most leases and vendors with some payments on leases extended through to 2021. All other operating expense deferrals were paid within the year. Remaining deferrals are included in accounts payable and accrued liabilities (note 5). ATB and ASEV both deferred scheduled loan payments resulting in the extension of the repayment terms by three and six months respectively. No lease or debt terms and conditions were significantly changed that would have resulted in extinguishment and reissue of the related liability.

Goodwill was eligible for and recognized revenue under following federal subsidy programs:

- Canada Temporary Wage Subsidy - $25,000;
- Canada Emergency Wage Subsidy - $2,193,914 of which $155,775 is included in accounts receivable;
- Canada Emergency Rent Subsidy - $76,800 of which $76,800 is included in accounts receivable.

Amounts received or receivable under these programs are subject to verification and may be subject to adjustment. Any adjustments will be reflected in the period in which the adjustment is made.

Goodwill has assessed its non-financial assets including property and equipment and right to use assets for impairment in light of the adverse economic environment caused by the COVID-19 pandemic and determined there are no indicators of impairment as of December 31, 2020.

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INDEPENDENT AUDITORS' REPORT

To the Members of Goodwill Industries of Alberta (Registered Society)

Opinion

We have audited the financial statements of Goodwill Industries of Alberta (Registered Society), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) 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 Registered Society as at December 31, 2021, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Auditors' 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 auditors' 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.

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 Registered 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 Registered 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 auditors' 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 auditors' report. However, future events or conditions may cause the Registered 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.
- 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

Edmonton, Canada
April 19, 2022

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Financial Position

December 31, 2021, with comparative information for 2020

		2021		2020
ASSETS				
Current				
Cash and cash equivalents	$	**2,401,680**	$	2,566,410
Investments (note 3)		**775,000**		500,000
Accounts receivable		**310,013**		651,105
Prepaid expenses and deposits		**841,595**		893,063
		4,328,288		4,610,578
Non-current investments (note 3)		**-**		275,000
Property and equipment (note 4)		**7,384,662**		5,740,027
	$	**11,712,950**	$	10,625,605
LIABILITIES AND NET ASSETS (DEFICIENCY)				
Current				
Accounts payable and accruals (note 5)	$	**1,976,105**	$	3,366,617
Deferred revenues		**694,599**		660,252
Current portion of long-term debt (note 6)		**765,650**		816,478
Current portion of obligation under capital lease (note 7)		**15,388**		-
		3,451,742		4,843,347
Long-term debt (note 6)		**851,282**		561,377
Obligations under capital lease (note 7)		**63,705**		-
Unamortized deferred capital contributions (note 8)		**97,497**		119,997
Straight-line rent and tenant inducements (note 9)		**6,317,902**		5,111,088
		10,782,128		10,635,809
Net assets (deficiency)		**930,822**		(10,204)
	$	**11,712,950**	$	10,625,605

Credit facility (note 6)
Commitments and contingencies (note 11)
Impacts of COVID-19 (note 14)

See accompanying notes to financial statements.

On behalf of the Board:

_______________, Director _______________, Director

Financial Statements of

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Year ended December 31, 2021

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Financial Statements

Year ended December 31, 2021

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Operating revenues		
Commercial	$ **33,514,059**	$ 23,614,342
Federal subsidies (note 14)	**688,637**	2,295,714
Provincial contract fees	**2,060,788**	1,387,065
Donations, grants and contributions	**221,419**	60,396
Interest revenue	**5,147**	2,128
	36,490,050	27,359,645
Operating expenses (note 13)		
Human resources	**19,236,285**	15,047,405
Occupancy	**12,004,258**	9,521,057
Other operating	**2,249,229**	1,665,017
Materials	**1,484,921**	1,167,831
	34,974,693	27,401,310
Excess (deficiency) of revenues over expenses before the undernoted	**1,515,357**	(41,665)
Amortization of deferred capital contributions	**22,500**	22,500
Amortization of tenant inducements	**517,564**	458,136
Amortization of property and equipment	**(1,155,994)**	(1,089,313)
Gain on disposal of property and equipment	**41,599**	-
Excess (deficiency) of revenues over expenses	$ **941,026**	$ (650,342)

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Changes in Net Assets (Deficiency)

Year ended December 31, 2021, with comparative information for 2020

2021	Unrestricted (deficiency)	Invested in property and equipment	**Total**
Balance, beginning of year	$ (760,172)	$ 749,968	**$ (10,204)**
Excess (deficiency) of revenues over expenses	1,556,956	(615,930)	**941,026**
Investment in property and equipment, net	(1,320,177)	1,320,177	**-**
Balance, end of year	$ (523,393)	$ 1,454,215	**$ 930,822**

2020	Unrestricted (deficiency)	Invested in property and equipment	Total
Balance, beginning of year	$ (48,056)	$ 688,194	$ 640,138
Deficiency of revenues over expenses	(41,665)	(608,677)	(650,342)
Investment in property and equipment, net	(670,451)	670,451	-
Balance, end of year	$ (760,172)	$ 749,968	$ (10,204)

See accompanying notes to financial statements.

GOODWILL INDUSTRIES OF ALBERTA (Registered Society)

Statement of Cash Flow

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ 941,026	$ (650,342)
Amortization of property and equipment	1,155,994	1,089,313
Gain on disposal of property and equipment	(41,599)	-
Recognition of straight-line rent	562,096	73,645
Amortization of deferred capital contributions	(22,500)	(22,500)
Amortization of tenant inducements	(517,564)	(458,136)
	2,077,453	31,980
Change in non-cash operating working capital		
Accounts receivable	341,092	(137,526)
Prepaid expenses and deposits	51,468	(183,724)
Accounts payable and accrued liabilities	(1,390,512)	1,704,154
Deferred revenues	34,347	(18,376)
	1,113,848	1,396,508
Financing activities:		
Proceeds from long-term debt	800,000	-
Repayments of long-term debt	(560,923)	(207,780)
Repayments of obligations under capital leases	(14,395)	-
Tenant inducement received	1,162,282	-
	1,386,964	(207,780)
Investing activities:		
Proceeds from disposal of investments	775,000	787,013
Purchase of investments	(775,000)	(775,000)
Proceeds from disposal of property and equipment	41,599	-
Purchase of property and equipment	(2,707,141)	(462,671)
	(2,665,542)	(450,658)
(Decrease) increase in cash and cash equivalents	(164,730)	738,070
Cash and cash equivalents, beginning of year	2,566,410	1,828,340
Cash and cash equivalents, end of year	$ 2,401,680	$ 2,566,410
Supplemental cash flow information:		
Cash interest paid	$ 86,067	$ 92,288
Cash interest received	5,147	2,128

See accompanying notes to financial statements.

1. Purpose of the organization

Goodwill Industries of Alberta (Registered Society) ("Goodwill") is a non-profit registered charity incorporated without share capital under the Societies Act of Alberta. Goodwill is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

At the start of the year, Goodwill operated 12 thrift retail stores and nine stand-alone donation collection centres throughout Alberta as well as performed extensive recycling and repurposing of donated items in addition to providing services under contract regarding employment opportunities for persons with disabilities. During the year, Goodwill added two new retail sites, one stand-alone donation collection site, expanded an existing retail site and moved to a new warehouse. One existing retail store was closed in 2021.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Revenue recognition

Goodwill follows the deferral method of accounting for contributions and operating subsidies. Restricted contributions and operating subsidies are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions and subsidies for the purchase of property and equipment are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment. Unrestricted contributions and subsidies are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. Grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts.

2. Significant accounting policies (continued)

(c) Inventory

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

(d) Property and equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to Goodwill's ability to provide services, the relevant carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and electronic equipment	3 years
Furniture and equipment	10 years
Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

(e) Employee future benefits

Prior to December 31, 2013, Goodwill had a defined contribution plan and a defined benefit plan covering certain employees. Effective December 31, 2013, the Trustee approved the termination of both plans and both plans began to wind-down.

Effective January 1, 2014, Goodwill established a group Registered Retirement Savings Plan (Group RRSP) that is funded by the employee and the employer on a shared basis. Contributions to the Group RRSP for current service is recognized when the contribution is paid (or payable) based on pay dates.

(f) Leases and tenant inducements

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight-line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

2. Significant accounting policies (continued)

(g) 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. Goodwill has elected to carry its investments 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, Goodwill 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 expected cash flows, the amount that could be realized from selling the financial asset or the amount Goodwill 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.

(h) Foreign currency translation

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the rates and methods to calculate amortization and impairments of property and equipment, assets and obligations related to employee future benefits and accrued liabilities related to tenant inducements. Actual results could differ from those estimates.

3. Investments

		2021		2020
Cashable and redeemable ATB Financial guaranteed investment certificates with annual interest rate of 0.20% (2020 - 0.63%) with maturity within one year	$	**775,000**	$	775,000
Less current portion		**775,000**		500,000
	$	**-**	$	275,000

A portion of the ATB Financial Guaranteed Investment Certificate of $275,000 is restricted as cash security for an irrevocable letter of credit (note 11).

4. Property and equipment

2021		**Cost**		**Accumulated Amortization**		**Net Book Value**
Computers and electronic equipment	**$**	**1,023,693**	**$**	**809,091**	**$**	**214,602**
Furniture and equipment		**3,495,494**		**1,225,197**		**2,270,297**
Vehicles		**297,152**		**266,042**		**31,110**
Leasehold improvements		**9,022,359**		**4,153,706**		**4,868,653**
Total property and equipment	**$**	**13,838,698**	**$**	**6,454,036**	**$**	**7,384,662**

2020		Cost		Accumulated Amortization		Net Book Value
Computers and electronic equipment	$	868,392	$	733,405	$	134,987
Furniture and equipment		2,465,070		1,000,279		1,464,791
Vehicles		279,373		269,016		10,357
Leasehold improvements		7,795,094		3,665,202		4,129,892
Total property and equipment	$	11,407,929	$	5,667,902	$	5,740,027

During the year, property and equipment of $93,488 (2020 - $nil) was acquired by means of capital leases (note 7).

Property and equipment include assets under capital leases with a cost of $99,534 (2020 - $96,042) and accumulated amortization of $8,294 (2020 - $86,439).

During the year, Goodwill wrote off fully amortized assets resulting in a reduction to cost and accumulated amortization of $369,861 (2020 - $394,689).

5. Accounts payable and accruals

		2021		2020
Government remittances including payroll taxes	$	**147,144**	$	103,953
Operating expenditures		**816,714**		890,662
Payroll and payroll related		**1,012,247**		1,003,540
Deferred rent and occupancy costs (note 14)		**-**		1,368,462
	$	**1,976,105**	$	3,366,617

6. Long term debt and credit facility

		2021		2020
Callable loan payable to ATB bearing interest at 4.45%, with blended monthly payments of $8,400 until September 30, 2024	$	**255,606**	$	342,923
Loan payable to Alberta Social Enterprise Venture Fund Inc. (ASEV) bearing interest at 5%, repayable in blended monthly payments of $9,442, matured on September 15, 2021		**-**		83,239
Loan payable to ASEV bearing interest at 6.5%, repayable in blended monthly payments of $36,722, maturing on April 15, 2023		**561,326**		951,693
Loan payable to ASEV bearing interest at 5%, with scheduled repayments in monthly interest-only payments to June 2022, with blended monthly payments starting July 2022 of $18,779, maturing on June 11, 2026		**800,000**		-
		1,616,932		1,377,855
Less current portion of long-term debt		**(765,650)**		(816,478)
	$	**851,282**	$	561,377

Loans payable to ASEV are secured by a general security agreement. Management does not believe that the demand features of the callable debt will be exercised in the current year. Assuming payment of the callable debt is not demanded, regular principal payments required on all callable and long-term debt for the next five years are due as follows:

2022	$	**598,315**
2023		**432,851**
2024		**278,185**
2025		**214,848**
2026		**92,733**

6. Long term debt and credit facility (continued)

Goodwill has a demand operating loan facility available to a maximum of $1,000,000 (2020 - $1,000,000) of which $nil was outstanding at December 31, 2021 (2020 - $nil). The facility bears interest at the bank's prime rate plus 2.0% (2020 - prime rate plus 2.0%). The facility is secured by an investment portfolio with a minimum market value of $500,000 (2020 - $500,000) supported by a security agreement constituting a first ranking security interest in the investment portfolio. The facility is subject to certain financial covenants. At December 31, 2021, Goodwill was in compliance with the two financial covenants. Management expects all credit facilities to remain in place.

7. Obligations under capital lease

		2021		2020
Prime Capital Lease	**$**	**67,700**	$	-
Sherwood Park Volkswagen		**11,393**		-
		79,093		-
Less current portion		**15,388**		-
	$	**63,705**	$	-

Prime Capital Lease, payable in 60 monthly payments of $1,486, 4.75% nominal annual rate, due January 2026, secured by two units of electric forklift with net book value of $74,413 (2020 - $nil).

Sherwood Park Volkswagen, payable in 4 years with bi-weekly payment of $142, 7.89% annual rate, secured by a vehicle with net book value of $16,826 (2020 - $nil).

Future minimum lease payments in the remaining years is as follows:

2022	**$**	**21,870**
2023		**21,870**
2024		**21,870**
2025		**20,625**
2026		**1,523**
		87,758
Less amount representing interest		**(8,665)**
	$	**79,093**

8. Unamortized deferred capital contributions

Changes in unamortized deferred capital contributions are as follows:

		2021		2020
Balance, beginning of year	**$**	**119,997**	$	142,497
Recognized as revenue		**(22,500)**		(22,500)
Balance, end of year	**$**	**97,497**	$	119,997

9. Straight-line rent and tenant inducements

	Tenant Inducements	Straight-line Rent	**2021 Total**	2020 Total
Balance, beginning of year	**$ 3,492,207**	**$ 1,618,881**	**$ 5,111,088**	$ 5,495,579
Tenant inducements received	**1,162,282**	**-**	**1,162,282**	-
Amortization of tenant inducements	**(517,564)**	**-**	**(517,564)**	(458,136)
Recognition of straight-line rent	**-**	**562,096**	**562,096**	73,645
Balance, end of year	**$ 4,136,925**	**$ 2,180,977**	**$ 6,317,902**	$ 5,111,088

10. Employee future benefits

The Goodwill defined benefit and defined contribution pension plans were terminated effective December 31, 2013. At December 31, 2021, Goodwill is holding $817,000 (2020 $719,000) in trust on behalf of the members of the plans for payment of remaining available benefits to members. Goodwill does not expect a significant plan deficiency or plan surplus following full disbursement of member funds.

11. Commitments and contingencies

	Premises base rent	Vehicles and equipment rent	**Total**
2022	$ 6,988,911	$ 571,271	**$ 7,560,182**
2023	6,991,087	212,749	**7,203,836**
2024	6,810,114	157,451	**6,967,565**
2025	6,338,088	117,874	**6,455,962**
2026	5,769,206	95,991	**5,865,197**

Goodwill issued, through ATB Financial, an irrevocable letter of credit to a landlord in the amount of $275,000 in support of Goodwill's commitments under the terms of a lease agreement. The letter of credit can be drawn down by the landlord if Goodwill does not fulfill its commitments under the lease. The letter of credit is fully secured by a restricted investment (note 3). The letter of credit will be cancelled in January 2022 under the terms of the lease agreement.

Goodwill has been named in a lawsuit by a former landlord claiming certain costs, penalties and damages pertaining to a lease that terminated in 2017. Goodwill has filed a Statement of Defense denying all allegations. The final outcome of the lawsuit is not presently determinable.

12. Financial risks and concentration of credit risk

(a) Credit risk

Credit risk arises from the possibility that the entities to which Goodwill sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance. Substantially all of Goodwill's commercial sales are settled at the transaction date.

(b) Interest rate risk

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2021, the demand operating loan had a $nil balance. In management's opinion, Goodwill is not exposed to significant interest rate risk. The interest rate on long-term debt is fixed for the term of the loans.

(c) Foreign currency risk

Foreign currency risk relates to holding funds in a US or other foreign bank account used to pay US or other foreign suppliers. In management's opinion, Goodwill is not exposed to significant foreign currency risk.

(d) Liquidity risk

Goodwill monitors and manages its liquidity risk to ensure it has access to sufficient funds to meet operational, investing and financing requirements. Subject to the impacts of COVID-19 (note 14), management is confident that future cash flows from operations and the availability of credit under existing credit arrangements is adequate to support Goodwill's financial liquidity needs under normal and stressed conditions. Available sources of liquidity include a revolving credit facility of up to $1,000,000 and available term loans of $750,000.

13. Operating expenses

Further details of operating expenses include the following:

		2021		2020
Human resource costs				
Salaries and wages	$	16,898,896	$	13,299,298
Employee benefits		1,913,547		1,522,499
Training, recruitment and other costs		283,176		101,164
Contracted labour		140,666		124,444
		19,236,285	$	15,047,405
Occupancy costs				
Rent and other occupancy costs, including straight-line rent	$	9,843,866	$	8,060,354
Repairs and maintenance		908,544		629,625
Utilities		760,990		443,371
Telephone and communications		200,485		183,334
Insurance		179,086		143,506
Security guard services		111,287		60,867
	$	12,004,258	$	9,521,057
Other operating costs				
Vehicle leases, rent, fuel and other	$	477,890	$	311,684
Advertising and promotion		446,038		209,147
Audit and professional fees		323,207		345,846
Disposal fees		306,215		232,651
Bank charges and interest		259,003		182,746
Fees and other dues		184,097		156,159
Affiliation dues		85,872		76,221
Interest on long-term debt		86,067		90,837
Travel		70,655		49,724
Postage and delivery		10,185		10,002
	$	2,249,229	$	1,665,017
Materials costs				
Supplies	$	1,416,862	$	1,039,667
Materials		36,409		16,646
Pandemic supplies		31,650		111,518
	$	1,484,921	$	1,167,831

14. Impacts of COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The Government of Alberta subsequently announced a state of public health emergency related to the spread of the COVID-19 virus and implemented a Public Health Order restricting certain businesses and forcing workplace closures to protect the public and limit the virus spread. Goodwill's operations were deemed non-essential and all operations were temporarily closed for approximately two months in 2020. Operations were gradually resumed following the announced phased re-opening strategy. Operations remained subject to certain varying restrictions during the year which limited traffic flow into the stores. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to Goodwill is not known at this time. Estimates and judgments made by management in the preparation of these financial statements may be subject to a higher degree of measurement uncertainty during this volatile period.

In 2020, Goodwill took actions to manage its financial position by temporarily laying off staff, closing sites and reducing operating and planned capital expenditures. During the year, additional efficiency measures in stores and throughout the enterprise were put in place in more effective managing of labour costs in alignment with sales activities. The negotiated deferrals in 2020 on payments for most leases and vendors with some payments on leases extended through to 2021. All deferred lease obligations were fully paid at the end of the year.

Goodwill was eligible for and recognized revenue under following federal subsidy programs:

- Canada Temporary Wage Subsidy - $nil (2020 - $25,000);
- Canada Emergency Wage Subsidy - $527,237 (2020 - $2,193,914 of which $155,775 is included in accounts receivable;
- Canada Emergency Rent Subsidy - $161,400 (2020 - $76,800 of which $76,800 is included in accounts receivable.

Amounts received under these programs are subject to verification by the Canada Revenue Agency and may be subject to adjustment. Any adjustments will be reflected in the period in which the adjustment is confirmed.

Goodwill has assessed its non-financial assets including property and equipment and right to use assets for impairment in light of the adverse economic environment caused by the COVID-19 pandemic and determined there are no indicators of impairment as of December 31, 2021.

15. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.