Financial Statements of

[redacted] OF ALBERTA (Registered Society)

Year ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of [redacted] of Alberta (Registered Society)

Opinion

We have audited the financial statements of [redacted] 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

[redacted] OF ALBERTA (Registered Society)

Financial Statements

Year ended December 31, 2018

[redacted] 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

[redacted]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.

[redacted] 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.

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

[redacted] of Alberta (Registered Society) [redacted] is [redacted] registered charity incorporated without share capital under the Societies Act of Alberta. [redacted] a social enterprise providing individuals with disabilities the opportunity to enhance [redacted] 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

[redacted] 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 [redacted] 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, [redacted] had [redacted] contribution plan that was funded by the employee and employer on a shared basis. [redacted] also had a defined benefit plan covering certain employees that was funded entirely [redacted]will. These plans provided pension, other retirement and post-employment benefits to most of [redacted] 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 c[redacted]ortized cost, unless management has elected to carry the instruments at fair value. [redacted] 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 [redacted] there are indicators of impairment. If there is an indicator of impairment, [redacted] 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

[redacted] 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, [redacted] 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

[redacted] 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**

[redacted]

11. Commitments and contingencies (continued)

During the year, [redacted] penalties and damages pertaining to the terms of a lease that terminated during 2017. [redacted] has filed a Statement of Defense denying all allegations. The final outcome of the lawsuit is not presently determinable.

Subsequent to year en[redacted] 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. [redacted] 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 [redacted] 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 o[redacted]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