

**CAREERS: THE NEXT GENERATION
FOUNDATION**

Financial Statements

Year Ended September 30, 2018

CAREERS: THE NEXT GENERATION FOUNDATION
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Year Ended September 30, 2018

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December 12, 2018
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of CAREERS: The Next Generation Foundation

We have audited the accompanying financial statements of CAREERS: The Next Generation Foundation, which comprise the statement of financial position as at September 30, 2018 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 CAREERS: The Next Generation Foundation as at September 30, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Kingston Ross Pasnak LLP
Chartered Professional Accountants

CAREERS: THE NEXT GENERATION FOUNDATION**Statement of Revenues and Expenditures****Year Ended September 30, 2018**

	2018	2017
REVENUE		
Provincial Government funding (Note 13)	\$ 1,787,594	\$ 2,018,182
Municipal Government funding (Note 13)	85,000	82,000
Federal Government funding (Note 13)	2,672	26,352
	1,875,266	2,126,534
Industry investment	1,545,016	1,782,594
Rebuilding Fort McMurray	752,500	756,387
Investment income (Note 4)	23,147	20,909
	2,320,663	2,559,890
TOTAL REVENUE	4,195,929	4,686,424
EXPENDITURES		
Operations (Program delivery) (Note 12)	1,825,462	1,757,982
Projects (Rebuilding Fort McMurray, Indigenous, academies and camps)	1,053,216	1,355,833
General and administrative expense	777,429	831,331
Stakeholder relations & growth (Investment development, stewardship, events)	550,043	564,363
Information technology	149,678	143,497
	4,355,828	4,653,006
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	\$ (159,899)	\$ 33,418

CAREERS: THE NEXT GENERATION FOUNDATION

Statement of Changes in Net Assets

Year Ended September 30, 2018

	Unrestricted	Invested in property and equipment	Internally restricted for contingency fund	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 187,111	\$ 65,394	\$ 420,000	\$ 672,505	\$ 639,087
Excess of revenue over expenditures	(143,801)	(16,098)	-	(159,899)	33,418
Transfer for property and equipment	(12,693)	12,693	-	-	-
NET ASSETS - END OF YEAR	\$ 30,617	\$ 61,989	\$ 420,000	\$ 512,606	\$ 672,505


CAREERS: THE NEXT GENERATION FOUNDATION

Statement of Financial Position

September 30, 2018

	2018	2017
ASSETS		
CURRENT		
Restricted cash (Note 3)	\$ 394	\$ 3,779
Marketable securities (Note 4)	455,374	440,674
Accounts receivable (Note 5)	561,970	776,971
Goods and Service tax recoverable	24,683	65,536
Prepaid expenses	55,607	56,844
	1,098,028	1,343,804
PROPERTY AND EQUIPMENT (Note 6)	69,130	75,594
	\$ 1,167,158	\$ 1,419,398
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 7)	\$ 28,534	\$ 103,226
Accounts payable and accrued liabilities	420,008	597,877
Deferred contributions (Note 8)	198,869	35,589
	647,411	736,692
UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTION (Note 9)	7,141	10,201
	654,552	746,893
LEASE COMMITMENTS (Note 11)		
NET ASSETS		
Internally restricted for contingency fund (Note 10)	420,000	420,000
Invested in property and equipment	61,989	65,394
Unrestricted	30,617	187,111
	512,606	672,505
	\$ 1,167,158	\$ 1,419,398

ON BEHALF OF THE BOARD



Director



Director

CAREERS: THE NEXT GENERATION FOUNDATION

Statement of Cash Flow

Year Ended September 30, 2018

	2018	2017
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenditures	\$ (159,899)	\$ 33,418
Items not affecting cash:		
Amortization of property and equipment	19,158	18,728
Amortization of external capital contributions	(3,060)	(9,937)
(Gain) loss on disposal of marketable securities	(2,785)	2,040
	(146,586)	44,249
Changes in non-cash working capital:		
Accounts receivable	215,001	(306,936)
Goods and Service Tax	40,853	(41,078)
Accounts payable and accrued liabilities	(177,875)	289,546
Prepaid expenses	1,237	(17,674)
Deferred contributions (Note 8)	163,280	(1,416,820)
	242,496	(1,492,962)
Cash flow from (used by) operating activities	95,910	(1,448,713)
INVESTING ACTIVITIES		
Proceeds on disposal of property and equipment	-	89,365
Purchase of marketable securities	(11,910)	-
Purchase of property and equipment	(12,693)	(30,277)
Cash flow (used by) from investing activities	(24,603)	59,088
INCREASE (DECREASE) IN CASH	71,307	(1,389,625)
(DEFICIENCY) CASH - BEGINNING OF YEAR	(99,447)	1,290,178
DEFICIENCY - END OF YEAR	\$ (28,140)	\$ (99,447)
DEFICIENCY CONSISTS OF:		
Restricted cash (Note 3)	\$ 394	\$ 3,779
Bank indebtedness (Note 7)	(28,534)	(103,226)
	\$ (28,140)	\$ (99,447)

CAREERS: THE NEXT GENERATION FOUNDATION

Notes to Financial Statements

Year Ended September 30, 2018

1. PURPOSE OF THE ORGANIZATION

CAREERS: The Next Generation Foundation ("CAREERS") is a charitable foundation incorporated under the Societies Act of Alberta. Its primary objective is to assist Alberta youth to enhance their employability. It accomplishes this by conducting student workshops, facilitating community partnership and implementing work place learning programs.

CAREERS is registered as a charitable organization under the Income Tax Act and as such is exempt from income taxes and is able to issue receipts to donors for income tax purposes. Under the terms of the Income Tax Act, CAREERS is required to disburse a minimum amount of its funds for charitable purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises. Significant accounting policies observed in the preparation of the financial statements are summarized below.

Revenue recognition

CAREERS follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable and collection of the receivable is reasonably assured.

Externally restricted capital contributions are recorded as deferred contributions until invested in property and equipment. Amounts invested representing externally funded property and equipment are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the property and equipment is recorded.

Donations of materials and services are recorded by CAREERS at fair value at the date of the contribution if the fair value can be reasonably estimated.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit less cheques issued and outstanding and net of draws on the operating line of credit. On occasion, the operating line of credit is drawn upon to meet short-term cash needs.

Marketable securities

Marketable securities consists of cash, treasury bills, bonds, mutual funds, equities, and guaranteed investment certificates. Mutual funds and equities are recorded at fair value.

(continues)

CAREERS: THE NEXT GENERATION FOUNDATION

Notes to Financial Statements

Year Ended September 30, 2018

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

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Furniture and fixtures	20%	declining balance method
Computer equipment	30 - 55%	declining balance method
Computer software	50%	declining balance method

In the year of purchase, amortization on property and equipment is pro-rated based on the acquisition date.

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

Financial instruments

All financial instruments are initially measured at fair value, and, unless otherwise noted, CAREERS subsequently measures its financial instruments at amortized cost.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant management estimates pertain to the useful lives of property and equipment, collectibility of accounts receivable, accruals for expenses and allocations of general expenses, administrative expenses and deferred contributions. Actual results could differ from these estimates.

Allocated expenditures

Expenditures which benefit more than one program of CAREERS are allocated among the functions. Salaries and benefits are allocated amongst programs based on hours spent. All other expenditures are allocated amongst programs in accordance to the nature of each expense.

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Notes to Financial Statements

Year Ended September 30, 2018

3. RESTRICTED CASH

	2018	2017
Cash - Raffle Account	\$ 250	\$ 2,009
Cash - Casino Account	144	1,770
	\$ 394	\$ 3,779

The cash in the casino account includes the proceeds from the Casino. Included in the Casino proceeds are contributions externally restricted by the Alberta Gaming and Liquor Commission to assist in the payments of approved expenses.

4. MARKETABLE SECURITIES

	2018	2017
Interest bearing securities with effective yield ranging from 1.15% to 7.10%	\$ 221,779	\$ 210,990
Equity securities	220,445	218,834
Investment cash	10,970	9,054
Accrued interest	2,180	1,796
	\$ 455,374	\$ 440,674

A portion of the above marketable securities have been internally restricted in the amount of \$420,000. Additional information on the restriction can be found in Note 10.

Investment income is comprised of the following:

	2018	2017
Investment income	\$ 12,978	\$ 15,836
Unrealized gain (loss) on investment	7,384	(596)
Gain on disposal of investments	2,785	5,669
	\$ 23,147	\$ 20,909

5. ACCOUNTS RECEIVABLE

Accounts receivable includes \$325,000 (2017 - \$247,055) that is due from the Canadian Red Cross to cover Fort McMurray expenditures made by CAREERS prior to September 30, 2018.

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Notes to Financial Statements

Year Ended September 30, 2018

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Furniture and fixtures	\$ 188,933	\$ 143,120	\$ 45,813	\$ 51,869
Computer equipment	163,038	139,728	23,310	23,711
Computer software	14,068	14,061	7	14
	\$ 366,039	\$ 296,909	\$ 69,130	\$ 75,594

Amortization provided for in the current period totaled \$19,158; (2017 - \$18,728), of which \$5,603 (2017 - \$8,650) is included in CAREERS Online project and \$13,555 (2017 - \$10,078) is included in general and administrative expenses.

During the year, the Foundation received no furniture and fixtures. (2017 - \$20,605).

7. BANK INDEBTEDNESS

	2018	2017
Bank indebtedness consists of:		
Bank account balances	\$ 5,624	\$ 2,185
Line of credit bank balance	(9,864)	(19,018)
Cheques issued and outstanding	(24,294)	(86,393)
	\$ (28,534)	\$ (103,226)

CAREERS has a \$336,500 revolving line of credit of which \$9,864 (2017 - \$19,018) was used as at September 30, 2018. Bank advances on the credit line are payable on demand and bears interest at 4.2% (2017 - 3.7%). The credit line is secured by a general security agreement providing a first security interest over all property owned by CAREERS.

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Notes to Financial Statements

Year Ended September 30, 2018

8. DEFERRED CONTRIBUTIONS

Deferred contributions consist of grants received from government and industry that are restricted for specific programs. These contributions will be recognized as revenue in the year in which the related program expenditures are incurred.

	Balance, beginning of year	Contributions in year	Amounts recognized as revenue in year	Balance, end of year
Raffle proceeds	\$ 14,289	\$ -	\$ 14,289	\$ -
<u>Corporate contributions</u>				
Various programs	6,364	2,370	-	8,734
The Canadian Red Cross Society	-	572,056	529,528	42,528
Carthy Foundation	-	75,000	12,500	62,500
EPCOR	-	50,000	7,143	42,857
RBC Foundation	-	50,000	10,000	40,000
Forest Resource Improvement Association of Alberta	-	240,000	237,750	2,250
Millar Western	14,936	-	14,936	-
	\$ 35,589	\$ 989,426	\$ 826,146	\$ 198,869

9. UNAMORTIZED EXTERNAL CAPITAL CONTRIBUTIONS

Unamortized external capital contributions related to property and equipment represent restricted contributions regarding CAREERS Online project. The changes in the unamortized contributions balance over the year are as follows:

	2018	2017
Unamortized external capital contributions, beginning of year	\$ 10,201	\$ 20,138
Amortization	(3,060)	(9,937)
	\$ 7,141	\$ 10,201

10. INTERNALLY RESTRICTED FOR CONTINGENCY FUND

The Board of Directors have internally restricted \$420,000 for the establishment of a contingency fund for the purpose of meeting any obligations arising from an unexpected event. Such a fund would allow for the winding down of CAREERS in an orderly manner and for meeting any unexpected obligations. This internally restricted amount is not available for other purposes without approval of the Board of Directors.

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Notes to Financial Statements

Year Ended September 30, 2018

11. LEASE COMMITMENTS

CAREERS has a long term lease with respect to its premises in both Edmonton and Fort McMurray. The Edmonton lease begins on November 25, 2018 with lease payments starting April 1, 2019 with an expiry date of January 31, 2027. The Fort McMurray lease began on March 1, 2017 with an expiry of February 29, 2022, with an option of renewal. Future minimum lease payments are as follows:

2019	\$	35,540
2020		60,804
2021		72,821
2022		66,868
2023		61,789
Thereafter		<u>213,813</u>
	\$	<u>511,635</u>

12. OPERATIONS (PROGRAM DELIVERY)

	2018	2017
Operating expenses consist of:		
Professional fees and salaries	\$ 1,614,717	\$ 1,537,198
Travel and subsistence	<u>210,745</u>	<u>220,784</u>
	\$ 1,825,462	\$ 1,757,982

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Notes to Financial Statements
Year Ended September 30, 2018

13. GOVERNMENT CONTRIBUTIONS

	2018	2017
<u>Provincial government contributions</u>		
Alberta Government CORE agreement funding		
Advanced Education	\$ 1,000,000	\$ 707,000
Education	125,000	125,000
Health	200,000	200,000
Human Services	-	20,000
Indigenous Relations	140,000	40,000
Labour	300,000	200,000
Advances Education - Aboriginal Initiative		
Labour	-	700,000
Amortization of external capital contributions (Note 9)	417	597
Alberta Labour STEP	22,177	15,585
Government of Alberta - Transport	-	10,000
	\$ 1,787,594	\$ 2,018,182
<u>Municipal government contributions</u>		
Various municipal bodies	\$ 85,000	\$ 82,000
<u>Federal government contributions</u>		
Various federal bodies	\$ 2,672	\$ 26,352

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Notes to Financial Statements

Year Ended September 30, 2018

14. FINANCIAL INSTRUMENTS

CAREERS is exposed to various risks through its financial instruments. The following analysis provides information about CAREERS's risk exposure and concentration as of September 30, 2018. Unless otherwise noted, CAREER's risk exposure has not changed from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. CAREERS is exposed to credit risk from contributors, and the maximum exposure to this risk is the carrying value of accounts receivable on the balance sheet. CAREERS has a significant number of contributors which minimizes concentration of credit risk. As September 30, 2018, the two largest contributors made up 72% of accounts receivable. In order to mitigate their risk, accounts receivable is reviewed regularly to verify collectibility.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. CAREERS is exposed to market risk as a result of its \$220,445 invested in equities.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. CAREERS is exposed to interest rate risk primarily through its interest bearing marketable securities and line of credit.