

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Financial Statements

For the Year Ended March 31, 2019

Calgary Drop-In & Rehab Centre Society
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For the Year Ended March 31, 2019

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Tel: 403 266 5608
Fax: 403 233 7833
www.bdo.ca

BDO Canada LLP
903 - 8th Avenue SW, Suite 620
Calgary AB T2P 0P7
Canada

INDEPENDENT AUDITOR'S REPORT

To the Members of Calgary Drop-In & Rehab Centre Society:

Report on the financial statements

We have audited the financial statements of Calgary Drop-In & Rehab Centre Society (the "Society"), which comprise the statement of financial position, as at March 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Society for the year ended March 31, 2018, were audited by the firm of Calvista LLP, whose practice now operates under BDO Canada LLP, and who expressed an unmodified opinion on those statements on June 21, 2018.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the 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 Society or cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Calgary, Alberta, Canada
June 26, 2019

Calgary Drop-In & Rehab Centre Society
Statement of Operations
For the Year Ended March 31, 2019

	Night Program	Day/Evening Program	Ending Chronic Homelessness	ESS/ EST Program	Centre 4800	Bridgeland Manor Program	Woodwork Shop Program	Inglewood Program	Sundial Program	General Fund	Capital Fund	2019 Total	2018 Total
Revenue													
Grants													
Alberta Human Services	\$ 12,731,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 550,000	\$ -	\$ 13,281,173	\$ 13,459,442
Calgary Homeless Foundation	25,000	-	575,493	-	-	-	-	-	-	-	-	600,493	-
United Way	-	549,689	-	-	-	-	-	-	-	-	-	549,689	549,689
City of Calgary	1,300	536,879	-	-	-	-	-	-	-	25,000	-	563,179	635,099
Alberta Employment, Immigration and Industry	-	-	-	538,470	-	-	-	-	-	-	-	538,470	531,900
Victims of Crime Fund	-	-	-	-	-	-	-	-	-	150,000	-	150,000	150,000
Other grants	56,843	-	-	25,000	-	-	-	-	-	-	-	81,843	620,210
Human Resources/Skills Development Canada	-	-	-	-	-	-	-	-	-	6,894	-	6,894	9,838
Business development	-	-	-	-	-	-	239,535	-	-	-	-	239,535	548,677
Donations	-	-	-	-	-	-	8,870	-	-	1,728,062	-	1,736,932	1,622,026
Rental revenue	-	-	-	-	279,458	302,450	-	279,133	975,075	73,260	-	1,909,376	1,908,481
Interest income	-	-	-	-	-	-	-	-	-	119,230	-	119,230	67,331
Other revenue	5,263	-	-	-	-	2,196	9,410	-	9,810	186,115	-	212,794	242,719
Gifts-in-kind (note 12)	1,986,494	892,928	-	-	-	-	-	-	-	-	-	2,879,422	2,927,008
Amortization of deferred contributions (note 7)	-	-	-	-	-	-	-	-	-	-	1,630,610	1,630,610	1,612,570
Total Revenue	14,806,073	1,979,496	575,493	563,470	279,458	304,646	257,815	279,133	984,885	2,838,561	1,630,610	24,499,640	24,884,990
Expenses													
Salaries and benefits	10,621,553	1,073,081	186,070	459,085	23,463	27,297	419,224	-	106,133	1,340,199	-	14,256,105	13,717,576
Direct client costs													
Food	2,470,215	892,928	-	-	-	-	-	-	-	387	-	3,363,530	3,424,881
Materials	64,697	1,250	33	20,651	-	1,168	50	-	54	1,695	-	89,598	98,356
Personal incidentals	56,264	751	237,391	-	-	-	-	-	-	702	-	295,108	39,899
Recreation	5,219	400	-	-	-	1,437	-	-	208	82	-	7,346	9,344
Transportation	785	52,366	-	-	-	-	-	-	-	-	-	53,151	97,740
Medical supplies	11,873	850	-	2,500	-	-	-	-	-	-	-	15,223	23,701
Mats replacement	11,164	-	-	-	-	-	-	-	-	-	-	11,164	-
	2,620,217	948,545	237,424	23,151	-	2,605	50	-	262	2,866	-	3,835,120	3,693,921
Facilities													
Building/land maintenance	364,864	10,000	-	10,062	13,449	71,920	8,428	39,370	229,956	54,380	-	802,429	1,044,691
Furnishings and equipment	10,873	7,500	-	-	-	6,390	239	-	8,569	746	-	34,317	195,461
Equipment repair and maintenance	96,226	3,000	-	8,134	463	782	5,719	607	8,388	1,685	-	125,004	499,124
Rent	-	26,100	-	5,000	-	-	-	-	-	32,500	-	63,600	63,600
Utilities	602,067	2,800	-	3,400	24,294	80,028	20,717	37,949	189,005	38,683	-	998,943	946,942
Facility supplies	182,974	16,500	-	1,000	-	69	7,364	-	10	104	-	208,021	369,264
Facility insurance	28,206	3,000	-	500	28,215	13,235	4,534	3,938	9,810	4,175	-	95,613	91,933
Garbage removal	35,290	1,500	-	1,200	2,867	10,112	6,488	2,940	32,354	4,376	-	97,127	82,876
Inventory	-	-	-	-	-	-	64,044	-	-	-	-	64,044	-
Amortization	-	-	-	-	-	-	-	-	-	-	2,684,290	2,684,290	2,478,425
Property taxes	-	-	-	-	29,883	-	-	43,321	-	-	-	73,204	-
Subcontractor fees	-	-	-	-	-	-	18,333	-	-	-	-	18,333	71,792
	1,320,500	70,400	-	29,296	99,171	182,536	135,866	128,125	478,092	136,649	2,684,290	5,264,925	5,844,108

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Calgary Drop-In & Rehab Centre Society
Statement of Operations
For the Year Ended March 31, 2019

	Night Program	Day/Evening Program	Ending Chronic Homelessness	ESS/ EST Program	Centre 4800	Bridgeland Manor Program	Woodwork Shop Program	Inglewood Program	Sundial Program	General Fund	Capital Fund	2019 Total	2018 Total
Expenses (Continued)													
Administration													
Bank charges	\$ 30,928	\$ -	\$ -	\$ 720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,648	\$ 23,923
Consultant and legal fees	52,341	-	82,447	196	-	-	15,172	1,315	-	226,729	-	378,200	276,865
Miscellaneous	4,734	-	-	275	-	-	25	-	-	105,585	-	110,619	73,685
Board travel	-	-	-	-	-	-	-	-	-	17,197	-	17,197	2,924
Equipment repair and maintenance	10,744	1,750	-	1,000	-	-	-	-	-	-	-	13,494	13,911
Office supplies	21,646	2,600	173	4,500	-	-	273	-	-	1,338	-	30,530	33,931
Telephone	60,634	4,100	125	2,407	118	1,417	2,172	-	3,408	10,794	-	85,175	69,321
Vehicle expenses	42,509	1,300	-	42	2,744	-	44	-	-	27,273	-	73,912	88,488
Vehicle insurance	9,653	504	-	-	-	-	2,400	-	-	3,541	-	16,098	16,091
Advertising	5,874	367	1,349	-	-	-	86	-	-	172,066	-	179,742	257,504
Staff training and travel	104,870	7,152	65	12,573	-	-	805	-	19	43,841	-	169,325	244,302
Fees	9,481	-	67,840	9,300	182	270	202	20	270	4,569	-	92,134	8,993
Audit	49,494	1,500	-	725	-	-	-	1,250	-	350	-	53,319	58,074
Liability insurance	36,120	-	-	1,575	-	-	-	-	-	1,500	-	39,195	26,965
	439,028	19,273	151,999	33,313	3,044	1,687	21,179	2,585	3,697	614,783	-	1,290,588	1,194,977
Total Expenses	15,001,298	2,111,299	575,493	544,845	125,678	214,125	576,319	130,710	588,184	2,094,497	2,684,290	24,646,738	24,450,582
Excess (deficiency) of revenue over expenses	\$ (195,225)	\$ (131,803)	\$ -	\$ 18,625	\$ 153,780	\$ 90,521	\$ (318,504)	\$ 148,423	\$ 396,701	\$ 744,064	\$ (1,053,680)	\$ (147,098)	\$ 434,408

Calgary Drop-In & Rehab Centre Society

Statement of Financial Position

As at March 31, 2019

	2019	2018
Assets		
Current		
Cash and cash equivalents	\$ 6,023,212	\$ 7,094,432
Assets held for resale	16,500	16,500
Accounts receivable	163,346	247,233
Goods and services tax receivable	60,545	77,343
Inventory	45,810	104,520
Current portion of leasehold improvement receivable	2,264	2,264
Prepaid expenses	45,635	32,099
	6,357,312	7,574,391
Leasehold improvement receivable	565	2,830
Assets held by Calgary Foundation (note 3)	1,076,288	967,837
Other deposit (note 5)	59,300	59,300
Property and equipment (note 4)	52,380,260	40,448,103
	\$ 59,873,725	\$ 49,052,461
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,084,628	\$ 2,557,020
Demand Loan (note 6)	3,050,000	3,000,000
Line of credit (note 13)	9,709,545	-
Security deposits	71,932	69,222
Unearned rent	157,190	203,616
Deferred contributions related to operations (note 7)	636,788	181,613
	17,710,083	6,011,471
Deferred contributions related to property and equipment (note 7)	15,613,366	16,402,067
	33,323,449	22,413,538
Fund balances		
Invested in property and equipment	24,572,951	21,402,299
Endowment fund (note 3)	1,076,288	967,837
Externally restricted (note 9)	(351,432)	(174,832)
Internally restricted (note 10)	1,245,341	4,369,673
Unrestricted	7,128	73,946
	26,550,276	26,638,923
	\$ 59,873,725	\$ 49,052,461

Approved on behalf of the Board:

Director:  _____

Director:  _____

Calgary Drop-In & Rehab Centre Society
Statement of Changes in Fund Balances
For the Year Ended March 31, 2019

	Externally Restricted Funds (note 9)	Internally Restricted Funds (note 10)	Invested in Property and Equipment	Endowment Fund	Unrestricted Funds	2019 Total	2018 Total
Fund balances, beginning of year	\$ (174,832)	\$ 4,369,673	\$ 21,402,299	\$ 967,837	\$ 73,946	\$ 26,638,923	\$ 26,151,032
Excess (deficiency) of revenue over expenses	(308,403)	-	(1,053,680)	-	1,214,985	(147,098)	434,408
Capital transactions (note 11)	-	(4,224,332)	4,224,332	-	-	-	-
Increase in Endowment Fund	-	-	-	58,451	-	58,451	53,483
Interfund transfers (note 8)	131,803	1,100,000	-	50,000	(1,281,803)	-	-
Fund balances, end of year	\$ (351,432)	\$ 1,245,341	\$ 24,572,951	\$ 1,076,288	\$ 7,128	\$ 26,550,276	\$ 26,638,923

Calgary Drop-In & Rehab Centre Society

Statement of Cash Flows

For the Year Ended March 31, 2019

	2019	2018
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (147,098)	\$ 434,408
Non-cash transactions		
Amortization of property and equipment	2,684,290	2,478,425
Amortization of deferred contributions related to property and equipment	(1,630,610)	(1,612,570)
Amortization of deferred contributions related to operations	(69,076)	(629,154)
Changes in non-cash working capital		
Accounts receivable	83,887	(182,115)
Goods and services tax receivable	16,798	(59,506)
Inventory	58,710	(11,608)
Prepaid expenses	(13,536)	3,008
Accounts payable and accrued liabilities	1,527,606	1,485,211
Tenant's leasehold improvement	2,266	2,265
Security deposits	2,710	(3,578)
Other deposit (note 5)	-	(59,300)
Unearned rent	(46,426)	118,129
Deferred contributions related to operations (note 7)	524,251	69,076
Cash flows from operating activities	<u>2,993,772</u>	<u>2,032,691</u>
Financing activities		
Additions to deferred contributions related to property and equipment (note 7)	841,909	416,854
Line of credit withdrawn (note 13)	9,709,545	-
Loan received (note 6)	50,000	3,000,000
Cash flows from financing activities	<u>10,601,454</u>	<u>3,416,854</u>
Investing activities		
Contribution to Calgary Foundation fund	(50,000)	(50,000)
Net redemption of investments	-	1,015,090
Purchase of property and equipment (note 11)	(14,616,446)	(5,274,782)
Cash flows from investing activities	<u>(14,666,446)</u>	<u>(4,309,692)</u>
Increase (decrease) in cash and cash equivalents	(1,071,220)	1,139,853
Cash and cash equivalents, beginning of year	<u>7,094,432</u>	<u>5,954,579</u>
Cash and cash equivalents, end of year	\$ 6,023,212	\$ 7,094,432

Calgary Drop-In & Rehab Centre Society

Notes to the Financial Statements

For the Year Ended March 31, 2019

1. Purpose of the organization

The Calgary Drop-In & Rehab Centre Society (the "Society") is dedicated to provide non-political and non-sectarian services to needy people by way of night and day shelters, relaxation, food, recreation, diversion and lay counseling and referrals on the various services and entitlements available to the client. The Society is incorporated under the Societies Act of Alberta and is a registered charity under the Income Tax Act of Canada and therefore is not subject to income tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook*, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Revenue recognition

The Society follows the deferral method of accounting for contributions.

Restricted grants and donations are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted grants and donations related to property and equipment are recognized in revenue using the same rates and methods to amortize the assets to which the contribution relates.

Unrestricted grants and donations are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Business development revenues from the Woodwork Shop are recognized as services are performed. Revenues from the Woodwork Shop that encompass two fiscal periods are recognized as work in progress revenue and expenses at year end.

Rental are recognized as revenue in the month the rent is due.

Interest is recognized as revenue on an accrual basis when it is earned.

Other are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and

Endowment contributions are recognized as direct increases in the Endowment Fund balance. Investment income is added to the fund as earned.

b) Programs

Revenue and expenses related to the delivery of programs are reported in the individual programs.

The Night Program, Day/Evening Program, Ending Chronic Homelessness, and Employment Services Staffing ("ESS")/ Employment Services Training ("EST") are supported by externally restricted contributions and report the revenue and expenses related to the delivery of those programs.

Bridgeland Manor, Woodwork shop, Inglewood, Sundial are internal programs supported by rental and business development revenue.

The General program records revenue and expenses related to general operations and small programs not separately disclosed.

The Centre 4800 and Capital program reports the revenue and expenses related to the Society's property and equipment and facility expansion campaigns.

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Calgary Drop-In & Rehab Centre Society

Notes to the Financial Statements

For the Year Ended March 31, 2019

2. Summary of significant accounting policies (Continued)

c) Cash and cash equivalents

Cash consists of cash on hand and balances with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less and that are subject to an insignificant risk of change in value. The Society currently holds no cash equivalents.

d) Inventory

Inventory consists of raw materials used to produce finished wood products. The inventory is recorded at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

e) Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Contributions received are deferred and amortized over the useful life of the asset. Assets under \$2,500 are expensed to the appropriate program fund. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Building	Remaining useful life years with original useful life of 20 years	Straight-line
Computers	5 years	Straight-line
Automobiles	5 years	Straight-line
Equipment	6.67 years	Straight-line

The City of Calgary has granted a 25 year Ground Lease for the land located under the main Riverfront building at \$10.00 per year commencing February 1, 2000 and ending January 31, 2025 with an option for the Society to renew for a further period of 25 years.

f) Financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost other than the assets held by Calgary Foundation, which are measured at fair value.

g) Contributed materials and services

Volunteers contributed approximately 138,000 (2018 - 139,100) hours during the year to assist the Society to carry out its programs. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Donated food and materials are recorded as expenses at their fair market value at the date of contribution when fair values can be reasonably determined and would otherwise be purchased with a corresponding amount recorded as donation revenue.

h) Management estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The financial statement areas that contain management estimates are the useful lives of property and equipment, amortization of deferred contributions, expenses allocations among programs, and estimation of value for the gifts in kind. Actual results could differ from those estimates.

Calgary Drop-In & Rehab Centre Society

Notes to the Financial Statements

For the Year Ended March 31, 2019

3. Assets held by Calgary Foundation

The investment income of the Endowment Fund held by the Calgary Foundation is available for the use of the Society as earned.

The balance of the endowment fund includes additions by the Board of Directors in previous years in the amount of \$866,817 (2018 - \$778,104). The Board added \$88,713 to the Endowment Fund in respect of the current year (2018 - \$84,574) which includes \$50,000 (2018 - \$50,000) in new contributions and \$38,713 (2018 - \$34,574) in reinvestment of funds granted to the Society from the Endowment Fund.

4. Property and equipment

	Cost		Accumulated Amortization		Net Book Value	
	2019	2018	2019	2018	2019	2018
Land	\$ 9,884,835	\$ 9,884,835	\$ -	\$ -	\$ 9,884,835	\$ 9,884,835
Buildings	49,401,535	49,373,034	28,094,115	25,760,666	21,307,420	23,612,368
Computers	2,206,263	1,358,457	899,223	659,010	1,307,040	699,447
Automobiles	545,222	545,222	542,373	535,201	2,849	10,021
Equipment	3,428,772	3,384,354	3,205,425	3,101,970	223,347	282,384
Construction in progress	19,654,769	5,959,048	-	-	19,654,769	5,959,048
	\$ 85,121,396	\$ 70,504,950	\$ 32,741,136	\$ 30,056,847	\$ 52,380,260	\$ 40,448,103

The Subdivision Development Appeal Board of the City of Calgary approved the Society's application for the development of Centre 4800 in 2016. The construction costs incurred during the year related to Centre 4800 have been disclosed as Construction in progress.

5. Other deposit

A refundable, non-interest bearing, security deposit paid to The City of Calgary (the "City") is \$59,300 (2018: \$59,300). The purpose of the deposit is to ensure the performance of the maintenance and the surface improvements within the City right-of-way adjacent to the site of Centre 4800. All of this security deposit will be refunded once the work related to this site has been completed to the satisfaction of the City inspector.

Calgary Drop-In & Rehab Centre Society

Notes to the Financial Statements
For the Year Ended March 31, 2019

6. Demand Loan

	2018	2017
The Calgary Foundation (a)	\$ 3,000,000	\$ 3,000,000
Canada Mortgage and Housing Corporation (b)	\$ 50,000	-
	\$ 3,050,000	\$ 3,000,000

(a) The loan has been provided by The Calgary Foundation for the construction of Centre 4800 and is repayable on demand. However, if demand is not made, the loan will be repaid in full on February 28, 2021. The loan is secured by land with carrying value of \$3,200,000 and carries a fixed interest rate at 3% per annum. The interest is payable at the last day of February each year until it is repaid in full. The interest of \$90,000 for period March 1, 2018 to February 28, 2019 was paid on February 28, 2019 and was capitalized. The interest payable for the upcoming two years is as following:

2020	90,000
2021	90,000

(b) During the current year, the Society entered into an agreement with Canada Mortgage and Housing Corporation (the "CMHC") to borrow the Seed Loan of \$50,000 to finance the professional cost of the construction of Centre 4800 (the "project"). This is non-interest bearing. The amount shall be repayable on the maturity date, which date shall be the earlier of: (i) the date on which the Society receives mortgage financing to repay the project financing or (ii) the fifth year anniversary of the Effective Date or (iii) the date on which the Society notifies, in writing to CMHC that the Project has been discontinued or otherwise abandons the Project or (iv) the date of a notice of termination or (v) the date on which CMHC notifies the Society, in writing, of its determination that the Society has failed to meet its project objectives.

Above loan agreements include a number of non-financial covenants to be met by the Society. As at March 31, 2019, all of the covenant requirements have been met.

7. Deferred contributions

The deferred contributions relate to funds received in the current and previous periods to be matched with expenses of subsequent periods. Contributions received for property and equipment are deferred and amortized over the useful life of the asset. Unused cash for capital contributions are transferred to deferred contributions for future capital expenditure.

	2019	Additions to Deferred Contributions	Inter- Account Transfers	Amortization of Deferred Contributions	2018
Deferred contributions related to property and equipment					
Riverfront Avenue building:					
Anonymous Foundation Grant	\$ 446,500	\$ -	\$ -	\$ (190,000)	\$ 636,500
Alberta Employment, Immigration and Industry	313,336	-	-	(133,333)	446,669
Alberta Human Services	218,459	18,481	-	(119,890)	319,868
Donations	225,438	97,550	(97,550)	(97,594)	323,032
Alberta Lottery/Casino Funds	144,527	81,790	(81,790)	(61,088)	205,615
Calgary Homeless Foundation	46,875	-	-	(18,750)	65,625
Calgary Foundation	5,875	-	-	(2,500)	8,375
Lilydale building:					
Donations	172,500	-	-	(15,000)	187,500

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Calgary Drop-In & Rehab Centre Society
Notes to the Financial Statements
For the Year Ended March 31, 2019

7. Deferred contributions (Continued)

	2019	Additions to Deferred Contributions	Inter- Account Transfers	Amortization of Deferred Contributions	2018
Deferred contributions related to property and equipment (Continued)					
Centre 4800 building:					
Province of Alberta	4,571,010	-	-	(12,060)	4,583,070
City of Calgary	151,871	151,871	-	-	-
Donation	189,369	189,369	-	-	-
Canada Mortgage and Housing Corporation	50,000	50,000	-	-	-
Workshop building:					
Anonymous Foundation Grant	60,826	-	-	(22,117)	82,943
Donations	58,054	-	-	(10,556)	68,610
Human Resources Development Canada	48,125	-	-	(17,500)	65,625
Calgary Foundation	27,500	-	-	(5,000)	32,500
Alberta Lottery Funds	2,300	-	-	(1,316)	3,616
Bridgeland Manor building:					
Donations	\$ 305,589	\$ -	\$ (30,000.00)	\$ (59,881)	\$ 395,470
Canada Mortgage and Housing Corporation	264,368	-	-	(75,533)	339,901
Alberta Lottery Funds - CFEP	99,372	-	-	(18,067)	117,439
Sundial building:					
Province of Alberta	3,676,849	-	-	(350,176)	4,027,025
Donations used for Sundial mortgage	3,022,967	-	-	(274,880)	3,297,847
Canada Mortgage and Housing Corporation	301,736	-	-	(28,737)	330,473
Casino funds used for Sundial Renovations	140,130	-	-	(13,346)	153,476
Donations used for Sundial Renovations	115,500	-	-	(11,000)	126,500
Community Facility Enhancement Program	105,000	-	-	(10,000)	115,000
Others:					
Equipment	83,154	33,199	-	(54,622)	104,577
Vehicles	2,849	-	-	(5,699)	8,548
Computers	197,684	219,649	-	(21,965)	-
	15,047,763	841,909	(209,340)	(1,630,610)	16,045,804
Deferred contributions for future capital expenditure:					
Community Facility Enhancement Program	-	-	-	-	-
Alberta Lottery/Casino Funds	131,953	-	81,790	-	50,163
Calgary Foundation	250,000	-	-	-	250,000
Other donations	183,650	-	127,550	-	56,100
	565,603	-	209,340	-	356,263
Total related to property and equipment	15,613,366	841,909	-	(1,630,610)	16,402,067
Deferred contributions related to operations	636,788	524,251	-	(69,076)	181,613
	\$ 16,250,154	\$ 1,366,160	\$ -	\$ (1,699,686)	\$ 16,583,680

Calgary Drop-In & Rehab Centre Society

Notes to the Financial Statements

For the Year Ended March 31, 2019

8. Interfund transfers

The Board of Directors approved transfers as follows:

- a) \$131,803 (2018 - \$49,577) from unrestricted funds to eliminate the current year deficit in the Day/Evening Program;
- b) \$Nil (2018 - \$100,000) from unrestricted funds to the operating reserve;
- c) \$1,100,000 (2018 - \$1,100,000) from unrestricted funds to capital reserve; and
- d) \$50,000 (2018 - \$50,000) from unrestricted funds to the endowment fund.

9. Externally restricted funds

	2019	2018
Night program	\$ (424,689)	(229,464)
Employment Services Staffing/ Employment Services Training	73,257	54,632
	<u>\$ (351,432)</u>	<u>\$ (174,832)</u>

10. Internally restricted funds

The Board of Directors has established an operating reserve. The reserve will be accumulated as funds are available to a maximum equal to three months of operating expenses. The funds shall be held available for and restricted in use to meet the regular operating expenses of the Society in the event revenues available to meet such expenses are otherwise insufficient, and for no other purpose. This reserve cannot be accessed without prior approval of the Board of Directors.

The capital reserves represent funds held for future additions to property and equipment or repayment of debt used to finance past additions to property and equipment.

	Operating Reserve	Capital Reserve	2019 Total	2018 Total
Reserve balance, beginning	\$ 5,500,000	\$ (1,130,327)	\$ 4,369,673	\$ 5,369,235
Capital transactions (note 11)	-	(4,224,332)	(4,224,332)	(2,199,562)
Interfund transfers (note 8)	-	1,100,000	1,100,000	1,200,000
Reserve balance, ending	<u>\$ 5,500,000</u>	<u>\$ (4,254,659)</u>	<u>1,245,341</u>	<u>\$ 4,369,673</u>

Despite the transfer of \$1,100,000 from unrestricted funds, the capital reserve is accumulating a deficit due to construction of C4800.

Calgary Drop-In & Rehab Centre Society

Notes to the Financial Statements

For the Year Ended March 31, 2019

11. Capital transactions

The following capital transactions result in changes to the fund balances in the Capital Reserve and Invested in Property and Equipment.

	2019	2019	2018	2018
	Capital Reserve	Invested in Property and Equipment	Capital Reserve	Invested in Property and Equipment
Additions to property and equipment	\$ (14,616,446)	\$ 14,616,446	\$ (5,274,782)	\$ 5,274,782
Receipt of demand loan for construction	9,759,545	(9,759,545)	3,000,000	(3,000,000)
Additions to deferred contributions related to property and equipment	632,569	(632,569)	75,220	(75,220)
	<u>\$ (4,224,332)</u>	<u>\$ 4,224,332</u>	<u>\$ (2,199,562)</u>	<u>\$ 2,199,562</u>

12. Gifts-in-kind

The Society received gifts in kind during the year with a fair market value of \$2,879,422 (2018 - \$2,927,008). These gifts are reported in the statement of operations and consist of food, personal incidentals and small furnishings.

13. Line of credit

On March 13, 2018, the Society entered a revolving loan agreement with Toronto-Dominion Bank ("TD") for the following

1. To assist with working capital for a maximum amount of \$500,000;
2. To assist with capital expenditures and acquisitions of property up to a maximum amount of \$3,000,000;
3. To provide interim financing for the construction of Centre 4800 Building up to a maximum amount of \$13,000,000; and
4. Upon completion of Centre 4800 building, to replace facility #3 above with a long-term financing for that property.
5. To fulfill the requirements of the City in relation to Centre C4800 construction, a letter of credit amounting to \$300,000 was issued by TD.

The loan bears interest at prime rate. During the year the Society withdrew \$9,709,545 from facility #3. The total interest paid was \$142,209 and was capitalized during the year.

The Society is subject to a financial covenant under this loan agreement. As at March 31, 2019 the Society did not meet the requirement of this financial covenant. Management has discussed this situation with TD and it has been confirmed by TD that the loan will not be called.

Calgary Drop-In & Rehab Centre Society

Notes to the Financial Statements

For the Year Ended March 31, 2019

14. Additional information to comply with the disclosure requirement of the Charitable Fund-raising Act of Alberta and regulations

Gross contributions received were \$2,023,851 (2018 - \$1,648,126) and were allocated as follows:

	2019	2018
General fund	\$ 1,728,062	\$ 1,536,506
Night program	-	55,470
Woodwork Shop	8,870	10,050
Centre 4800	189,369	26,100
Other funds	97,550	20,000
	<u>\$ 2,023,851</u>	<u>\$ 1,648,126</u>

The Society incurred a total cost of \$237,906 (2018 - \$206,787) for soliciting these contributions. Included in these total costs are, \$43,509 (2018 - \$54,624) remuneration paid to employees engaged in these fund-raising activities.

No fees (2018 - \$Nil) were paid as remuneration to fundraising businesses, or as reimbursements for expenses to fundraising businesses.

15. Financial instruments

The Society's financial instruments consist of cash and cash equivalents, short term investments, assets held by Calgary Foundation, accounts receivable, accounts payable and accrued liabilities, loan and security deposits, with all financial assets and liabilities reported at their amortized cost except assets held by Calgary Foundation which is reported at fair market value. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant market, interest rate, currency or credit risks arising from these financial instruments. The fair value approximates their carrying value. There has been no change in exposure to risk from that reported in the prior year.

16. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation. This reclassification has no effect on prior year excess (deficiency) of revenues over expenses.
