

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Financial Statements

For the Year Ended March 31, 2016

Calgary Drop-In & Rehab Centre Society
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For the Year Ended March 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying financial statements of Calgary Drop-In & Rehab Centre Society (the "Society"), which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in fund balances and cash flows for the year then ended, and 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.

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 the Society as at March 31, 2016 and the results of its operations and its cash flows for the year then ended and in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

June 16, 2016
Calgary, Alberta, Canada

CALVISTA LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Calgary Drop-in & Rehab Centre Society
Statement of Operations
For the Year Ended March 31, 2016

	Night Program	Day/Evening Program	Career Training/Casual Labour Office	Housing with Intensive Support	Centre 4800	Bridgeland Manor Project	Woodwork Shop Program	Inglewood Program	Sundial Program	General Fund	Capital Fund	2016 Total	2015 Total
Revenue													
Grants	\$ 11,721,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 550,000	\$ -	\$ 12,271,625	\$ 12,158,698
Alberta Human Services													
Calgary Homeless Foundation	1,141,064			181,840								1,322,904	2,266,386
United Way		549,689										549,689	553,692
City of Calgary		485,978										485,978	479,260
Alberta Employment, Immigration and Industry			369,996							150,000		369,996	369,996
Victims of Crime Fund										150,000		150,000	150,000
Other grants	771									239,714		240,485	192,445
Human Resources/Skills Development Canada													7,174
Business development							453,581					453,581	582,249
Donations			15,000				72,350			1,784,350		1,871,700	1,692,723
Rental revenue					339,038	250,304		289,487	1,296,130	76,759		2,251,718	2,466,026
Interest income										184,106		184,106	105,762
Other revenue						2,219	276		11,894	184,790		199,179	208,841
Gifts-in-kind (note 13)	2,205,367	1,097,150					7,427					3,309,944	3,389,332
Amortization of deferred contributions (note 8)											1,393,627	1,448,138	
Amortization of mortgage incentive									57,216			57,216	60,881
Total Revenue	15,068,827	2,132,817	384,996	181,840	339,038	252,523	533,634	289,487	1,365,240	3,169,719	1,393,627	25,111,748	26,081,603
Expenses													
Salaries and benefits													
Direct client costs													
Food	3,296,285	1,097,150		4,168		2,596			911			4,401,110	4,241,692
Materials	100,839	1,553	1,200				355		156			104,103	156,834
Personal incidentals	19,039	938	2,500	36					23			22,536	21,316
Recreation	5,303	404				948			2,073			8,728	8,199
Transportation	1,054			1,000						2,400		4,454	1,351
Medical supplies	15,339	1,060										16,399	21,490
Facilities													
Building/land maintenance	339,964	10,887		12,500	42,515	84,707	15,665	50,135	207,987			764,360	856,057
Furnishings and equipment	17,774	4,943				2,805	4,806		11,339			41,667	49,751
Equipment repair and maintenance	151,544	8,182	1,500		15,495	8,756	13,229	14,593	4,254	72		217,625	170,196
Rent		26,100	5,000	33,897						32,500		97,497	233,607
Utilities	623,986	2,855	3,400	200	110,615	68,526	19,062	40,001	186,753			1,065,998	1,103,249
Facility supplies	148,254	16,400			140		158,939		1,078			324,811	170,907
Facility insurance	30,347	1,681			23,738	14,697	3,629	7,421	14,736			85,749	99,379
Garbage removal	28,778	1,875			2,150	4,305	4,019	2,318	21,086			64,531	60,935
Amortization											2,459,634	2,459,634	2,383,844
Interest									225,422			225,422	245,252
Subcontractor fees							60,355					60,355	64,419
Total Expenses	1,340,647	72,923	9,900	46,597	194,153	183,796	279,704	114,468	672,655	32,572	2,459,634	5,407,049	5,437,596

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The accompanying notes form an integral part of the financial statements

Calgary Drop-in & Rehab Centre Society
Statement of Operations
For the Year Ended March 31, 2016

	Night Program	Day/Evening Program	Career Training/Casual Labour Office	Housing with Intensive Support	Centre 4800	Bridgeland Manor Project	Woodwork Shop Program	Inglewood Program	Sundial Program	General Fund	Capital Fund	2016 Total	2015 Total
Expenses (Continued)													
Administration													
Bank charges	\$ 17,222	\$ -	\$ 125	\$ 100	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ (1,080)	\$ -	\$ 16,377	\$ 26,301
Consultant and legal fees	50,397	-	-	4,200	(18,454)	-	-	-	769	124,358	-	161,270	96,972
Miscellaneous	1,455	-	15,750	4,250	-	-	-	-	584	48,701	-	70,740	77,223
Board travel	3,748	-	-	-	-	-	-	-	-	920	-	4,668	3,644
Equipment repair and maintenance	5,935	1,613	-	699	-	-	-	-	-	-	-	8,247	7,414
Office supplies	13,372	1,805	3,168	700	-	28	64	12	1,048	1,048	-	20,197	23,266
Postage	3,198	646	1,332	-	-	-	186	-	831	831	-	6,193	21,597
Telephone	55,654	3,292	2,400	1,500	1,759	2,608	3,178	1,440	1,547	2,900	-	76,278	69,376
Vehicle expenses	51,350	1,627	-	-	-	70	5,099	-	-	6,026	-	64,172	76,275
Vehicle insurance	13,063	596	-	-	-	-	1,160	-	-	-	-	14,819	16,105
Advertising	2,264	-	275	-	-	-	974	-	37,774	559,655	-	600,942	286,976
Staff training and travel	73,086	5,312	15,535	918	-	40	711	-	198	9,284	-	105,084	113,204
Fees	2,304	-	-	200	164	464	273	-	239	504	-	4,148	40,987
Audit	51,660	1,178	1,200	-	-	-	-	1,250	-	5,600	-	60,888	68,527
Liability insurance	37,276	-	1,574	400	-	-	-	-	-	1,500	-	35,750	33,726
	376,984	16,069	41,359	12,967	(16,531)	3,210	11,655	2,690	41,123	760,247	-	1,249,773	961,593
Total Expenses	15,477,769	2,223,091	388,627	181,840	237,441	211,573	709,145	117,158	828,884	1,357,306	2,459,634	24,187,468	23,804,776
Excess (deficiency) of revenue over expenses	\$ (403,942)	\$ (80,274)	\$ (3,631)	\$ -	\$ 101,597	\$ 40,950	\$ (175,511)	\$ 172,329	\$ 536,356	\$ 1,812,413	\$ (1,066,007)	\$ 924,280	\$ 2,276,827

The accompanying notes form an integral part of the financial statements

Calgary Drop-In & Rehab Centre Society
Statement of Financial Position
As at March 31, 2016

	2016	2015
Assets		
Current		
Cash and cash equivalents	\$ 5,400,896	\$ 4,893,876
Short term investments (note 3)	4,040,169	4,031,573
Assets held for resale	16,500	16,500
Accounts receivable	59,700	110,253
Goods and services tax receivable	15,899	20,560
Inventory	100,467	127,916
Current portion of leasehold improvement receivable	8,265	22,000
Prepaid expenses	33,877	89,620
	<u>9,675,773</u>	<u>9,312,298</u>
Leasehold improvement receivable	7,358	6,000
Assets held by Calgary Foundation (note 4)	727,498	683,434
Property and equipment (note 5)	38,954,268	40,290,863
	<u>\$ 49,364,897</u>	<u>\$ 50,292,595</u>
Liabilities and Fund Balances		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,063,167	\$ 1,316,384
Current portion of deferred mortgage incentive (note 6)	22,840	57,216
Current portion of long term debt (note 7)	3,944,831	270,119
Security deposits	78,142	85,646
Unearned rent	52,916	64,625
	<u>5,161,896</u>	<u>1,793,990</u>
Deferred mortgage incentive (note 6)	-	22,840
Long term debt (note 7)	-	3,944,831
Deferred contributions (note 8)	19,660,342	20,733,409
	<u>24,822,238</u>	<u>26,495,070</u>
Fund balances		
Invested in property and equipment	19,333,523	19,262,233
Endowment fund (note 4)	727,498	683,434
Externally restricted (note 10)	(92,957)	487,826
Internally restricted (note 11)	4,567,542	3,354,839
Unrestricted	7,053	9,193
	<u>24,542,659</u>	<u>23,797,525</u>
	<u>\$ 49,364,897</u>	<u>\$ 50,292,595</u>

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, 2016

	Externally Restricted Funds	Internally Restricted Funds	Invested in Property and Equipment	Endowment Fund	Unrestricted Funds	2016 Total	2015 Total
Fund balances, beginning of year	\$ 487,826	\$ 3,354,839	\$ 19,262,233	\$ 683,434	\$ 9,193	\$ 23,797,525	\$ 21,456,872
Excess (deficiency) of revenue over expenses	(497,847)	-	(1,066,007)	-	2,488,134	924,280	2,276,827
Capital transactions (note 12)	-	(1,137,297)	1,137,297	-	-	-	-
Repayment of program surplus	(173,210)	-	-	-	-	(173,210)	-
Increase (decrease) in Endowment Fund	-	-	-	(5,936)	-	(5,936)	63,826
Interfund transfers (note 9)	90,274	2,350,000	-	50,000	(2,490,274)	-	-
Fund balances, end of year	\$ (92,957)	\$ 4,567,542	\$ 19,333,523	\$ 727,498	\$ 7,053	\$ 24,542,659	\$ 23,797,525

Calgary Drop-In & Rehab Centre Society
Statement of Cash Flows
For the Year Ended March 31, 2016

	2016	2015
Operating activities		
Excess of revenue over expenses	\$ 924,280	\$ 2,276,827
Non-cash transactions		
Amortization of property and equipment	2,459,634	2,383,844
Amortization of deferred contributions related to property and equipment	(1,393,627)	(1,383,919)
Amortization of deferred contributions related to operations	(282,344)	(302,049)
Amortization of mortgage incentive	(57,216)	(60,881)
Changes in non-cash working capital		
Accounts receivable	50,553	49,001
Goods and services tax receivable	4,661	(2,339)
Inventory	27,449	(40,388)
Prepaid expenses	55,743	5,694
Accounts payable and accrued liabilities	(253,217)	165,054
Payroll deductions payable	-	(148,473)
Tenant's leasehold improvement	12,377	12,000
Security deposits	(7,504)	6,833
Unearned rent	(11,709)	(21,997)
Deferred contributions related to operations (note 8)	181,443	356,534
	<u>1,710,523</u>	<u>3,295,741</u>
Repayment of prior year program surplus	(173,210)	-
	<u>1,537,313</u>	<u>3,295,741</u>
Financing activities		
Additions to deferred contributions related to property and equipment (note 8)	181,671	342,317
Contributions received for Sundial mortgage repayment (note 8)	239,790	710,878
Repayment of bank indebtedness	-	(255,281)
Repayment of long term debt	(270,119)	(255,680)
	<u>151,342</u>	<u>542,234</u>
Investing activities		
Contribution to Calgary Foundation fund	(50,000)	(50,000)
Net redemption (purchase) of investments	(8,596)	31,829
Purchase of property and equipment	(1,123,039)	(1,379,498)
	<u>(1,181,635)</u>	<u>(1,397,669)</u>
Increase in cash	507,020	2,440,306
Cash and cash equivalents, beginning of year	<u>4,893,876</u>	<u>2,453,570</u>
Cash and cash equivalents, end of year	\$ 5,400,896	\$ 4,893,876
Cash and cash equivalents consists of:		
Cash on hand	479,422	896,641
Liquid mutual funds/segregated funds	4,921,474	3,997,235
	<u>\$ 5,400,896</u>	<u>\$ 4,893,876</u>

Calgary Drop-In & Rehab Centre Society
Notes to the Financial Statements
For the Year Ended March 31, 2016

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 contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

Unrestricted contributions 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.

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

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.

b) Fund Accounting

Revenues and expenses related to the delivery of programs are reported in the individual program funds.

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

The Capital Fund reports the revenues and expenses related to the Society's property and equipment and facility expansion campaigns.

The Endowment Fund reports the additions and withdrawals from the endowment fund held by The Calgary Foundation.

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.

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.

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Calgary Drop-In & Rehab Centre Society
Notes to the Financial Statements
For the Year Ended March 31, 2016

2. Summary of significant accounting policies (Continued)

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. Amortization is provided on a straight line basis over the assets' estimated useful lives, which for buildings is 20 years, equipment 6.67 years and computer and vehicles 5 years. Amortization expense is recorded in the Capital Fund.

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) Goods and Services Tax

Goods and services tax is recoverable at 50% as a rebate. The unrecoverable 50% is recorded as part of the expenditure with the rebate treated as a receivable. The Society is registered to collect GST on taxable supplies related to the Woodwork Shop Program.

g) 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.

The financial assets measured at amortized cost include cash and cash equivalents, short term investments, assets held for resale, accounts receivable, and goods and services tax receivable. The financial liabilities measured at amortized cost include the bank indebtedness, accounts payable and accrued liabilities, payroll deductions payable and security deposits.

h) Contributed Services

Volunteers contributed approximately 206,000 (2015 - 200,000) 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.

i) 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. Actual results could differ from those estimates.

Calgary Drop-In & Rehab Centre Society
Notes to the Financial Statements
For the Year Ended March 31, 2016

3. Short term investments

	2016	2015
Guaranteed investment certificates, maturing in May, July, September and December 2016 bearing interest rates ranging from 1.55% to 1.80% per annum, with fair values approximating their carrying values.	\$ 4,040,169	\$ -
Guaranteed investment certificates, maturing in May, July, September and December 2015 and January 2016 bearing interest rates ranging from 1.71% to 1.95% per annum, with fair values approximating their carrying values.	-	4,031,573
	\$ 4,040,169	\$ 4,031,573

4. Endowment Fund

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 \$614,430 (2015 - \$537,093). The Board added \$77,337 to the Endowment Fund in respect of the current year (2015 - \$72,784) which includes \$50,000 (2015 - \$50,000) in new contributions and \$27,337 (2015 - \$22,784) in reinvestment of funds granted to the Society from the Endowment Fund.

5. Property and equipment

	Cost		Accumulated Amortization		Net Book Value	
	2016	2015	2016	2015	2016	2015
Land	\$ 9,884,835	\$ 9,884,835	\$ -	\$ -	\$ 9,884,835	\$ 9,884,835
Buildings	48,154,327	48,121,508	21,259,681	19,037,414	26,894,646	29,084,094
Computers	581,293	581,293	567,005	551,046	14,288	30,247
Automobiles	545,222	545,222	494,157	459,763	51,065	85,459
Equipment	3,297,490	3,235,973	2,873,241	2,686,227	424,249	549,746
Construction in progress	1,685,185	656,482	-	-	1,685,185	656,482
	\$ 64,148,352	\$ 63,025,313	\$ 25,194,084	\$ 22,734,450	\$ 38,954,268	\$ 40,290,863

In October 2015, the Calgary Planning Commission turned down the Society's application for the development of Centre 4800 into an affordable housing complex. The Society appealed the decision to the Subdivision Development Appeal Board ("SDAB") and the appeal was heard in March and April of 2016. The SDAB indicated that a decision would be delivered in due course during the last day of the hearing on May 3rd, 2016. At the date of approval of the financial statements, the decision has not yet been released.

Calgary Drop-In & Rehab Centre Society
Notes to the Financial Statements
For the Year Ended March 31, 2016

6. Deferred mortgage incentive

	<u>2016</u>	<u>2015</u>
Related to Sundial Property		
Deferred mortgage	\$ 22,840	\$ 80,056
Less: current portion	<u>(22,840)</u>	<u>(57,216)</u>
	<u>\$ -</u>	<u>\$ 22,840</u>

In 2009, the Society acquired an apartment building ("the Sundial property"). The prior mortgagor provided an incentive to the Society upon acquisition of the Sundial property for the Society's assumption of the previously existing mortgage. This incentive is being amortized over the remaining term of the mortgage using the effective interest method.

7. Long term debt

	<u>2016</u>	<u>2015</u>
Related to Sundial Property		
Mortgage, interest fixed at 5.57%, due August 1, 2016, repayable by monthly blended payments of \$41,295, secured by land and building, and a General Security Agreement.	\$ 3,944,831	\$ 4,214,950
Less: current portion	<u>(3,944,831)</u>	<u>(270,119)</u>
	<u>\$ -</u>	<u>\$ 3,944,831</u>

The Society plans to repay the Sundial property mortgage in full on August 1, 2016, mainly through donations specifically restricted for the repayment of the Sundial mortgage (note 8).

8. 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.

	<u>2016</u>	<u>Additions</u>	<u>Inter-</u>	<u>Amortization</u>	<u>2015</u>
	<u>Total</u>	<u>to Deferred</u>	<u>Account</u>	<u>of Deferred</u>	<u>Total</u>
		<u>Contributions</u>	<u>Transfers</u>	<u>Contributions</u>	
Deferred contributions related to property and equipment					
Riverfront Avenue building:					
Anonymous Foundation Grant	\$ 1,016,500	\$ -	\$ -	\$ (190,000)	\$ 1,206,500
Alberta Employment, Immigration and Industry	713,335	-	-	(133,333)	846,668
Donations	518,220	-	-	(97,594)	615,814
Alberta Lottery/Casino Funds	474,262	72,280	74,190	(61,088)	388,880
Calgary Foundation	13,375	-	-	(2,500)	15,875
Alberta Human Services	481,042	18,001	-	(97,149)	560,190
Calgary Homeless Foundation	103,125	-	-	(18,750)	121,875
CFEP Flood Grant	150,000	-	-	-	150,000
					.../Continues

Calgary Drop-In & Rehab Centre Society
Notes to the Financial Statements
For the Year Ended March 31, 2016

8. Deferred contributions (Continued)

	2016 Total	Additions to Deferred Contributions	Inter- Account Transfers	Amortization of Deferred Contributions	2015 Total
Deferred contributions related to property and equipment (Continued)					
Workshop building:					
Anonymous Foundation Grant	\$ 127,177	\$ -	\$ -	\$ (22,117)	\$ 149,294
Human Resources Development Canada	100,625	-	-	(17,500)	118,125
Alberta Lottery Funds	6,248	-	-	(1,316)	7,564
Donations	89,722	50,000	-	(7,778)	47,500
Calgary Foundation	42,500	-	-	(5,000)	47,500
Bridgeland Manor building:					
Donations	515,232	30,000	-	(59,881)	545,113
Canada Mortgage and Housing Corporation	490,967	-	-	(75,533)	566,500
Alberta Lottery Funds - CFEP	153,573	-	-	(18,067)	171,640
Lilydale building:					
Donations	217,500	-	-	(15,000)	232,500
Sundial building:					
Province of Alberta	4,727,377	-	-	(350,176)	5,077,553
Canada Mortgage and Housing Corporation	387,947	-	-	(28,737)	416,684
Community Facility Enhancement Program	135,000	-	-	(10,000)	145,000
Donations used for Sundial Renovations	148,500	-	-	(11,000)	159,500
Casino funds used for Sundial Renovations	180,168	-	-	(13,346)	193,514
Centre 4800 building:					
Province of Alberta	4,607,190	-	-	(12,060)	4,619,250
Others:					
Equipment	222,206	11,390	-	(100,803)	311,619
Computers	10,526	-	-	(13,451)	23,977
Vehicles	43,702	-	-	(31,448)	75,150
	15,676,019	181,671	74,190	(1,393,627)	16,813,785
Deferred contributions related to:					
Sundial mortgage repayment	3,784,466	239,790	-	-	3,544,676
Operations	199,857	181,443	(74,190)	(282,344)	374,948
	\$ 19,660,342	\$ 602,904	\$ -	\$ (1,675,971)	\$ 20,733,409

9. Interfund transfers

The Board of Directors approved transfers as follows:

- a) \$90,274 (2015 - \$88,799) from unrestricted funds to eliminate the current year deficit in the Day/Evening Program;
- b) \$100,000 (2015 - \$300,000) from unrestricted funds to the operating reserve;
- c) \$2,250,000 (2015 - \$2,100,000) from unrestricted funds to capital reserve; and
- d) \$50,000 (2015 - \$50,000) from unrestricted funds to the endowment fund.

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10. Externally restricted funds

	2016	2015
Night program	\$ (120,124)	283,818
Day program	-	-
Career Training/Casual Labour Office	27,167	30,798
Housing with Intensive Support	-	173,210
	<u>\$ (92,957)</u>	<u>\$ 487,826</u>

The Society repaid the prior year's Housing with Intensive Support program surplus of revenues over expenses of \$173,210 to the Calgary Homeless Foundation during the year.

11. 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	2016 Total	2015 Total
Reserve balance, beginning	\$ 5,300,000	\$ (1,945,161)	\$ 3,354,839	\$ 1,798,466
Excess of revenue over expenses	-	-	-	289,328
Capital transactions (note 12)	-	(1,137,297)	(1,137,297)	(1,132,955)
Interfund transfers (note 9)	100,000	2,250,000	2,350,000	2,400,000
Reserve balance, ending	<u>\$ 5,400,000</u>	<u>\$ (832,458)</u>	<u>4,567,542</u>	<u>\$ 3,354,839</u>

Capital reserve stands in a deficit position, despite the transfer of \$2,250,000 from unrestricted funds in 2016, as a result of the significant capital outlays in 2016 and prior years which have not yet been funded through capital fundraising.

12. Capital transactions

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

	2016 Capital Reserve	2016 Invested in Property and Equipment	2015 Capital Reserve	2015 Invested in Property and Equipment
Additions to property and equipment	\$ (1,123,039)	\$ 1,123,039	\$ (1,379,498)	\$ 1,379,498
Repayment of debt principal	(270,119)	270,119	(510,961)	510,961
Additions to deferred contributions related to property and equipment	255,861	(255,861)	757,504	(757,504)
	<u>\$ (1,137,297)</u>	<u>\$ 1,137,297</u>	<u>\$ (1,132,955)</u>	<u>\$ 1,132,955</u>

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13. Gifts-in-kind

The Society received gifts in kind during the year with a fair market value of \$3,309,944 (2015 - \$3,389,332). These gifts are reported in the statement of operations and consist of food, personal incidentals and small furnishings.

14. Related party transactions

During the year, the Society paid \$52,500 (2015 - \$nil), for business consulting services to a consulting company of which a director of the Society is a principal. The transactions were in the normal course of operations and have been measured at the agreed upon exchange amount.

In the prior year, the Society paid recruiting services fees of \$4,000 to a staffing company to hire temporary employees. This company is partially owned by a senior executive of the Society. This transaction was in the normal course of operations and has been measured at the agreed upon exchange amount.

The amount of consideration established and agreed upon by the related party is similar to those negotiated with third parties.

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

Gross contributions received were \$2,191,490 (2015 - \$2,596,046) and were allocated as follows:

	2016	2015
General fund	\$ 1,784,350	\$ 1,622,771
Sundial capital campaign	239,790	710,878
Woodwork Shop	122,350	96,418
Other funds	15,000	165,979
Bridgeland capital campaign	30,000	-
	\$ 2,191,490	\$ 2,596,046

All expenses incurred for the purposes of soliciting contributions were \$344,259 (2015 - \$234,566).

No fees (2015 - \$Nil) were paid as remuneration to fundraising businesses, or as reimbursements for expenses to fundraising businesses. \$62,168 was paid as remuneration to employees for fund-raising activities in 2016 (2015 - \$88,507).

16. Financial instruments

The Society's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities, long term debt, and security deposits, with all financial assets and liabilities reported at their amortized cost. 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.

17. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.
