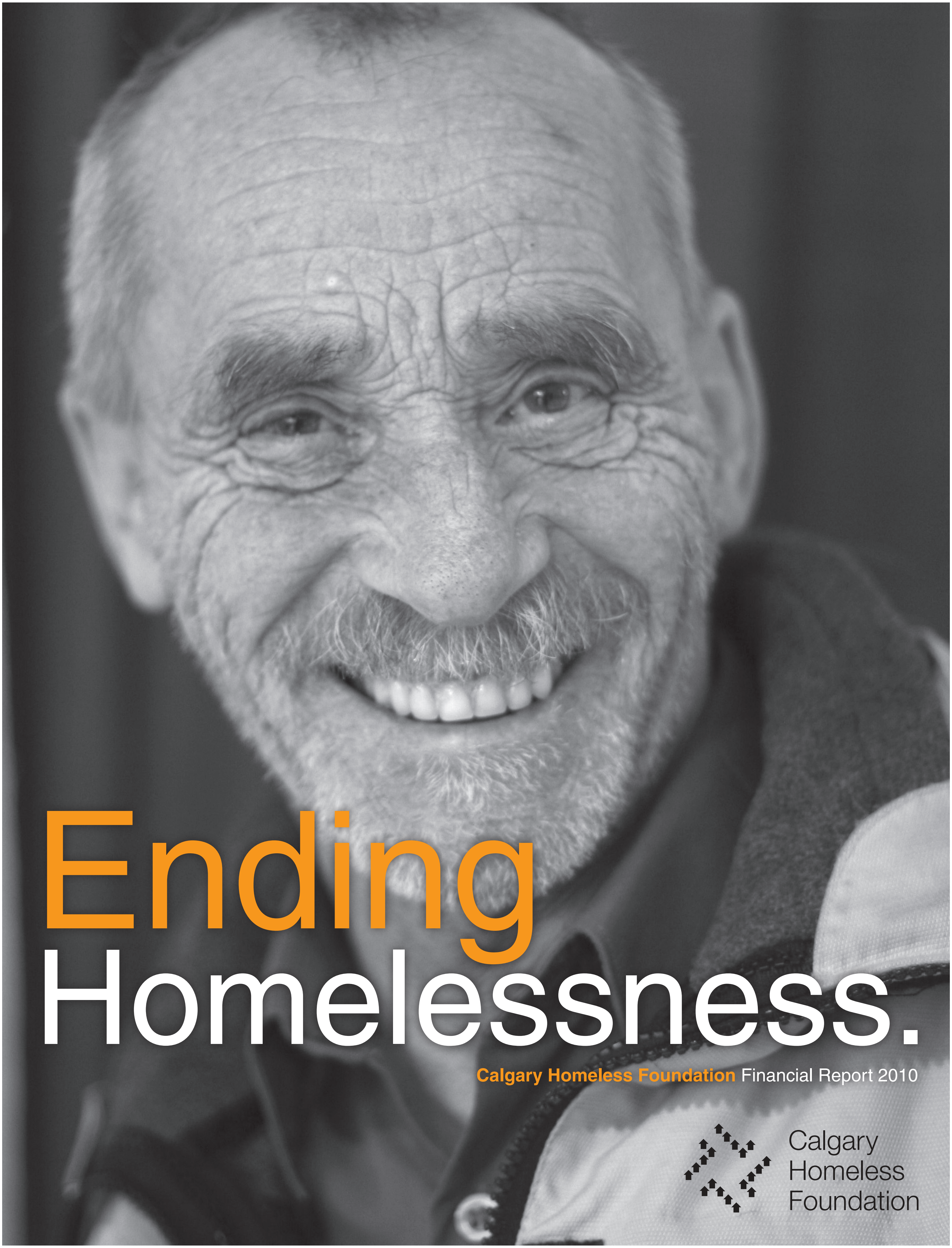

Ending Homelessness.

Calgary Homeless Foundation Financial Report 2010

Calgary
Homeless
Foundation

Table of Contents

Management's Discussion and Analysis

This MD&A includes information about the Calgary Homeless Foundation's (the Foundations) expectations for the future. When strategy, plans and future operating performance, or other things that have not yet taken place are discussed, the Foundation is making statements considered to be forward-looking information. Forward-looking information is designed solely to help readers understand management's current views and is not appropriate for other purposes.

A. Business Environment

The Foundation publishes annually a Business Plan, which is available online at www.calgaryhomeless.com. The Business Plan includes a comprehensive overview of the business environment, including macro-economic trends; income, cost of living and poverty; and housing affordability and shelter.

B. Business Strategy

1. 10 Year Plan Overview

The Foundation is responsible for overseeing implementation of the 10 Year Plan to End Homelessness in Calgary. The guiding philosophy of the 10 Year Plan is 'Housing First,' which puts the highest priority on moving homeless people into permanent housing, with the support necessary to sustain that housing. The 10 Year Plan has short- and long-term goals. It aims to create rapid, visible and meaningful change by focusing attention on chronic homelessness and prevention. In the longer term, the 10 Year Plan calls for the creation of 11,250 affordable and specialized housing units over the next decade and proposes major systemic change to eliminate barriers that currently entrench homelessness.

The 10 Year Plan set ambitious targets, including the elimination of family homelessness in two years; the retirements of 50% of Calgary's emergency shelter beds within five years; an 85% reduction in the chronic homeless population within five years; the complete elimination of chronic homelessness in seven years; and a reduction in the maximum average stay in emergency shelters to less than seven days by January 2018.

2. Progress in the First Two Years

January 29, 2010 marked the second anniversary of Calgary's 10 Year Plan. Solid progress has been made. Evidence of this is that more than 1,200 men, women and children have been housed. The Foundation is delivering on the promise of Housing First; with more affordable housing built in two years compared with the previous decade. As well; Alberta remains the only province in Canada with a commitment and plan to end homelessness. In 2009/10 and 2010/11, that commitment and plan was supported with new funding

In 2009/10, the Foundation also saw a hopeful trend emerging in emergency shelters, as shelter use began to stabilize. While solid progress was made, the Foundation fell behind on the two early targets from the 10 Year Plan: elimination of family homelessness in two years; and stopping the growth of homelessness and stabilizing the overall homeless count at 2006 levels by May 1, 2010.

3. Goals for 2010/11

In 2010/11, the Foundation will focus on four priority populations: the chronic and episodically homeless; families with children; youth (young people up to age 24); and the Aboriginal community. The Foundation 2010/11 Business Plan also aims to achieve key deliverables, many which apply to more than one priority population. These key deliverables are to:

- re-double efforts to end family homelessness;
- prioritize new investments to address chronic and episodic homelessness;
- apply new knowledge to enhance prevention efforts;
- build a Homeless Management Information System (HMIS);
- develop affordable housing for those with the greatest barriers to housing;
- align federal Homeless Partnering Strategy (HPS) funding in Calgary to the 10 YP; and
- complete a three year review and update the 10 YP.

To measure success in implementing the 2010/11 Business Plan, the Foundation will track milestones from the 10 Year Plan. These include to:

- reduce year-over-year emergency shelter utilization by 5% (which means about 100 fewer Alberta Housing and Urban Affairs funded emergency shelter spaces used in 2010/11);
- retire 150 mainstream emergency shelter beds;
- reduce average length of stay in family homeless shelters to 14 days and reduce year-over-year family shelter use; and
- retain 85% of those housed in Foundation-funded housing programs.

C. Risk Management

Implementation of the 10 Year Plan requires financial commitment and cooperation amongst the three levels of government and the private and non-profit sectors. It also proposes many new programs and capital projects designed to end homelessness in Calgary. The Foundation leads the implementation of the 10 Year Plan. In this capacity, the Foundation funds programs on behalf of the Government of Alberta and the Government of Canada. The Foundation also acts as an affordable housing developer and owner. Potential risks to the Foundation must be continuously identified, assessed and mitigated.

To assess our current operations, the Foundation audits contracts, reporting practices and Foundation-funded or supported projects (program outcomes and budgets). To this end, the Foundation implemented annual strategic review, budget and business plan processes; boiler-plates for service agreements (projects and consulting); RFP and sole source project-related criteria and processes (from project identification through to implementation); and a tracking process for current contractual commitments.

To reduce risk and create transparency and simplicity, the Foundation strives to have clear, transparent practices for community/stakeholder consultation processes, as well as evaluation, monitoring and outcome reporting by agencies.

The Foundation is in the process of developing systems to protect client information held in confidence and to track stakeholder engagement and contractual/business commitments. These systems will be designed with appropriate authorizations and controls, including the ability to audit and recover data in the event of a disaster.

Description of Risk	Mitigation Plans
Financial	
Loss of major government funder	• Ongoing engagement with the Government of Alberta and the Government of Canada • Develop fund development strategy which diversifies revenue generation • Establish operating reserve fund and policies governing access and contributions
Delayed receipt of project funds	• Slow or stage progress of projects • Carry forward investment to stabilize agency funding and develop three kinds of Foundation contracts to increase predictability (one-year; multi-year contingent upon provincial funding; and multi-year with committed funds contingent on performance)
Operational	
Agencies cannot deliver programs	• Build capacity through training • Reduce administrative burden and streamline reporting for agencies • Work with other funders to align reporting requirements and streamline service agreements
Homeless Management Information System implementation (HMIS) delayed	• Provide for adequate community consultation and pilot phase • Reserve non-government community funds
Unable to recruit and retain staff	• Conduct salary benchmarking and succession planning and invest in staff development and training
Affordable housing unavailable	• Review Strategy 3 in 10 Year Plan
Reputational and political	
Incidents involving tenants in Foundation/CCLT-owned property	• Introduce positions to manage tenant application and approval process and community building • Conduct annual insurance review • Hold all assets in Calgary Community Land Trust Society (CCLT) • Work with community partners to improve issues management and risk communications
Stakeholders do not support strategies, operations and projects	• Consult with community on an ongoing basis on strategy and business plans • Support the work of the Community Action Committee • Involve communities early on when purchasing buildings
Policies, regulatory and other external	
Budget constraints affect broader health and social service sectors	• Conduct research and advocate public policy, particularly for at-risk populations • Provide community leadership on zero-discharge into homelessness

D. Financial Results

1. Results of Operations

A summary of revenues, expense and surplus for the Foundation is below. Further detailed discussion and analysis of operations follow this summary:

Year ended March 31 *($)*	**2010**	**2010 Detail**	**2009** (Restated)
Total revenues	**40,540,325**	4,510,813 operating 36,029,512 project	11,376,103
Expenses	**22,798,651**	3,349,961 operating 19,448,690 project	11,049,917
Excess (deficiency) of revenues over expenses	**17,741,674**	1,160,852 operating 16,580,822 project	326,186

2. Statement of Financial Position (as at March 31, 2010)

Cash of $5.29 million in 2009 increased to $18.05 million in 2010. This more than tripling of cash was primarily due to two factors. First, the Foundation received cash from the Province of Alberta in August 2009 to deliver funds to various agencies in Calgary under the 2009/10 Service Delivery Plan. Second, the Foundation received cash from the Province of Alberta and private funders to purchase property held for affordable housing in 2011. Also deposits in trust for real estate acquisitions increased from $170,600 in 2009 to $300,000 in 2010. This was because the requirement for higher deposits to purchase two of the three properties under conditional purchase contracts was waived in 2010. Property held for affordable housing also increased significantly from $1.16 million in 2009 to $12.88 million in 2010. This was due to the acquisition of the Sunalta Lodging House, Acadia Place and Oscar properties, offset by the transfer of Accessible Housing to a third-party agency.

In 2010, the Foundation accessed a $675,000 line of credit from First Calgary Savings to purchase a property. This line of credit is due in March 2011. As well, accounts payable increased significantly from $60,719 in 2009 to $3.26 million in 2010. This increase was due to the Foundation being obligated to deliver funds in 2011 related to contracts signed in 2010. Mortgage on properties was $3.11 million in 2010 compared with nil in 2009 due to the assumption of a mortgage in conjunction with the acquisition of a property.

Fund balances were $25.03 million in 2010, of which $76,728 was internally restricted – net investment in property and equipment, $6.18 million was internally restricted – net investment in property held for affordable housing, $15.80 million was externally restricted and $2.98 million was unrestricted. This compares with restated fund balances of $7.29 million in 2009, of which $87,211 was internally restricted – net investment in property and equipment, $1.16 million was internally restricted – net investment in property held for affordable housing, $4.23 million was externally restricted and $1.81 million was unrestricted. The significant increase in fund balances compared with 2009 was due to revenue rising because of funds granted for real property acquisition as well as revenue received in 2010 to be distributed in 2011.

3. Statement of Operations

Donations and grants rose significantly from $10.72 million in 2009 to $39.71 million in 2010. This was due to the Government of Canada flowing funds related to the Federal Homeless Partnering

Strategy through the Foundation and Alberta Housing and Urban Affairs (HUA) flowing funds for various agencies within Calgary for the prevention and elimination of homelessness through the Foundation. As well, rental revenue of $372,762 was generated in 2010 compared with nil in 2009 when the Foundation had no real property. In 2010, special events and investment income were $397,019 and $62,164, respectively, lower compared with 2009, when special events and investment income were $496,834 and $160,547, respectively. This was due to restructuring of special events in 2009 and lower interest rates causing a decrease in interest revenue.

Operating expense was $19.79 million in 2010, made up of $19.21 million in project disbursements, $293,864 in real property operating costs and $289,000 in special events. This compares with operating expenses of $9.33 million in 2009, made up of $8.78 million in project disbursements and $550,430 in special events. The significant increase in operating expenses was due to the Foundation flowing federal and provincial funding for the prevention and elimination of homelessness to Calgary agencies in 2010 and the acquisition and operation of real property for affordable housing. These increases were offset by fewer special events in 2010 compared with 2009.

Administration expenses were $3.01 million in 2010 compared with $1.72 million in 2009. Administration expenses in 2010 were made up of $1.84 million in salaries, $1.01 million in office expenses and $160,494 in amortization. In comparison, 2009 administration expenses were $1.02 million in salaries, $672,283 in office expenses and $22,519 in amortization. The increase in administration expenses was due to increased staff head count and related operations in order to support the Foundation as the federal and provincial funder.

On a ratio basis, the Foundation's percentage of administration expense to total revenues was 7.4% in 2010 compared with 15.1% in 2009.

4. Liquidity and Capital Resources

Cash balances were $18.05 million at the end of 2010, compared with $5.29 million at the end of 2009. This was due to the receipt of cash from the Province of Alberta in August 2009 to deliver funds to various agencies in Calgary under the 2009/10 Service Delivery Plan and the receipt of cash from the Province of Alberta and private funders to purchase property held for affordable housing in 2011.

The Foundation's operating activities generated $20.89 million in cash in 2010 compared with an increase in cash of $385,030 in 2009. This was due to revenue exceeding expenses by $17.74 million in 2010. This large increase was attributed to the receipt of funds from the Province of Alberta for homeless support initiatives and the purchase of real property.

Investing activities were $11.92 million in 2010, primarily due to $11.85 million spent on purchasing affordable housing. A list of these properties can be found on pages 28 and 29 of the 2010 Report to the Community. Investing activities were $822,705 in 2009 due to only $696,075 spent on purchasing affordable housing.

Financing activities were $3.78 million in 2010, compared with nil in 2009. This was due to the assumption of a mortgage on Acadia Place. The mortgage bears interest at 5.12% per annum, is payable in monthly principal and interest instalments totalling $20,958, matures in 2015 and is secured by charges against specific property.

5. Activities Subsequent to March 31, 2010

During the year, the Foundation held deposits of $300,000 on three real estate properties reported as deposits held in trust for real estate acquisitions. Subsequent to year end, the Foundation completed two acquisitions for a total purchase price of $7.04 million, using $200,000 of deposit funds, government funding received in fiscal 2010 of $2.05 million, additional government funding of $2.67 million to be received in fiscal 2011, private donations of $941,800 and a draw on the line of credit of $1.17 million.

6. Significant Accounting Policies and Estimates

Significant accounting policies and estimates are those policies, assumptions and estimates most important in the preparation of the Foundation's financial statements. Policy selection requires management's subjective and complex judgement from many alternatives and estimates involving matters that are inherently uncertain. Management believes that those policies, assumptions and estimates are reasonable, based on the information available. Those policies, assumptions and estimates affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the period represented. More detail is available in note 3 of the audited financial statements and notes.

Auditors' Report

To the Members of
The Calgary Homeless Foundation

We have audited the statement of financial position of The Calgary Homeless Foundation as at March 31, 2010 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2009 and for the year ended prior to the restatement described in note 12 were audited by other auditors, who expressed an opinion without reservation on those statements in their report dated May 28, 2009. We have audited the adjustments to the 2009 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been appropriately applied.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

June 3, 2010

Statement of Financial Position

March 31, 2010	Operating	Project	Total 2010	Total 2009 Restated (note12)
Assets				
Current assets				
Cash	$ 1,989,815	$ 16,060,561	**$ 18,050,376**	$ 5,290,659
Short term investments	1,000,000	–	**1,000,000**	953,065
Accounts receivable	37,699	–	**37,699**	25,144
Prepaid expenses	32,878	–	**32,878**	800
Deposits in trust for real estate acquisitions	–	300,000	**300,000**	170,600
Due to (from) fund	562,485	(562,485)	**–**	–
	3,622,877	15,798,076	**19,420,953**	6,440,268
Property held for affordable housing (note 4)	–	12,883,360	**12,883,360**	1,162,075
Property and equipment (note 5)	76,728	–	**76,728**	87,211
	$ 3,699,605	$ 28,681,436	**$ 32,381,041**	$ 7,689,554
Liabilities				
Current liabilities				
Line of credit (note 6)	$ –	$ 675,000	**$ 675,000**	$ –
Tenant deposits	30,826	–	**30,826**	–
Accounts payable and accrued liabilities	335,305	2,920,513	**3,255,818**	60,719
Deferred contributions (note 7)	278,322	–	**278,322**	338,005
Current portion of mortgage payable (note 8)	–	92,314	**92,314**	–
	644,453	3,687,827	**4,332,280**	398,724
Mortgage payable (note 8)	–	3,016,257	**3,016,257**	–
	644,453	6,704,084	**7,348,537**	398,724
Fund balances				
Internally restricted – net investment in property, plant and equipment	76,728	–	**76,728**	87,211
Internally restricted – net investment in property held for affordable housing	-	6,179,276	**6,179,276**	1,162,075
Externally restricted	–	15,798,076	**15,798,076**	4,234,455
Unrestricted	2,978,424	–	**2,978,424**	1,807,089
	3,055,152	21,977,352	**25,032,504**	7,290,830
	$ 3,699,605	$ 28,681,436	**$ 32,381,041**	$ 7,689,554

Commitments (note 10)

Approved by the Board of Directors

Director

Director

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2010	Operating	Project	Total 2010	Total 2009 Restated (note12)
Revenue				
Donations and grants (note 15)	$ 3,901,845	$ 35,806,535	**$ 39,708,380**	$ 10,718,722
Rental revenue	372,762	–	**372,762**	–
Special events	216,648	180,371	**397,019**	496,834
Investment income	19,558	42,606	**62,164**	160,547
	4,510,813	36,029,512	**40,540,325**	11,376,103
Operating expenses				
Project disbursements (note 9)	–	19,210,430	**19,210,430**	8,779,842
Real property costs	232,988	60,876	**293,864**	–
Special events	244,255	44,745	**289,000**	550,430
	477,243	19,316,051	**19,793,294**	9,330,272
Administration expenses				
Salaries	1,835,213	–	**1,835,213**	1,024,843
Office	1,009,650	–	**1,009,650**	672,283
Amortization	27,855	132,639	**160,494**	22,519
	2,872,718	132,639	**3,005,357**	1,719,645
Total expenses	3,349,961	19,448,690	**22,798,651**	` 11,049,917
Excess of revenue over expenses	1,160,852	16,580,822	**17,741,674**	326,186
Fund balances Beginning of year, as previously reported	(659,331)	4,235,451	**3,576,120**	2,306,137
Restatement of prior year financial statements (note 12)	2,553,631	1,161,079	**3,714,710**	4,658,507
Fund balances Beginning of year, as restated	1,894,300	5,396,530	**7,290,830**	6,964,644
Fund balances End of year	$ 3,055,152	$ 21,977,352	**$ 25,032,504**	7,290,830

Statement of Cash Flows

Year ended March 31, 2010		2010		2009 Restated (note12)
Cash provided by (used in)				
Operating activities				
Excess of revenue over expenses	**$**	**17,741,674**	$	326,186
Item not affecting cash				
Amortization		**160,494**		22,519
		17,902,168		348,705
Change in non-cash working capital items		**2,992,209**		36,325
		20,894,377		385,030
Investing activities				
Purchase of equipment		**(17,372)**		(97,048)
Purchase of property for affordable housing		**(11,853,924)**		(696,075)
Net change in short term investments		**(46,935)**		(29,582)
		(11,918,231)		(822,705)
Financing activities				
Increase in mortgage payable		**3,150,092**		–
Repayments of mortgage payable		**(41,521)**		–
Increase in line of credit		**675,000**		–
		3,783,571		–
Increase (decrease) in cash		**12,759,717**		(437,675)
Cash – Beginning of year		**5,290,659**		5,728,334
Cash – End of year	**$**	**18,050,376**	$	5,290,659

Notes to Financial Statements
March 31, 2010

1. Nature of operations

Calgary Homeless Foundation (the "Foundation") was incorporated under the Alberta Societies Act on September 4, 1998. The Foundation is a not-for-profit organization and a registered charity and is exempt from income taxes under the Income Tax Act. The Calgary Homeless Foundation's mission is to end homelessness in Calgary. The Foundation is the lead implementing agency of Calgary's 10 Year Plan to End Homelessness. The Foundation's stated objectives are to serve as a community partner in identifying the causes of and solutions to homelessness; to develop plans, in conjunction with all aspects of the community, that will provide access to housing for the homeless in Calgary; to provide leadership and focus to address homelessness issues in Calgary and to raise such funds as may be necessary to achieve these objectives. The continued operations of the Foundation are dependent on the ongoing financial support of its sponsors.

2. Change in accounting policies

Effective in the current year

Section 4400 – Financial Statement Presentation by Not-for-Profit Organizations

Effective April 1, 2009, the Foundation adopted retrospectively the changes in the recommendations in CICA Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations that modified the requirements with respect to various elements of financial statement presentation including:

i. The preparation of the statement of cash flow in accordance with Handbook Section 1540.

ii. The elimination of the requirement to disclose the amount of fund balances invested in capital assets as a separate component of Fund balances. The Foundation has chosen to disclose amounts invested in capital assets as a separate component of internally restricted fund balances as permitted by these standards.

The standards impact the Foundation's disclosures but did not affect the Foundation's financial results.

3. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant.

Fund accounting

The Foundation follows the Restricted Fund Method for accounting for contributions. The Foundation maintains the following Funds:

> The Operating Fund contains the assets, liabilities, revenue and expenses related to the Foundation's operating activities, the operation of affordable housing, “Project Homeless Connect” events, and other special events.
>
> The Project Fund contains the assets, liabilities, revenue and expenses related to the Foundation's homelessness projects and initiatives, including the operation of community programs and the acquisition of real estate property for affordable housing.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or, if no restricted fund exists, they are recognized in the Operating Fund when the related expenditures are incurred. Unrestricted contributions are recognized as revenue of the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rent revenue related to the provision of affordable housing is recognized when received.

Event revenue, such, as event ticket sales and sponsorships, is recognized when the amount can be reasonably assured to be received.

Restricted investment income is recognized as revenue of the Project Fund when earned.

Unrestricted investment income is recognized as revenue of the Operating Fund when earned.

Short-term investments

Short-term investments have an initial maturity in excess of three months. Interest income on the deposits is accrued over the term of the deposit. The term deposit bears interest at 1.5% and matures on May 5, 2010.

Assets held for affordable housing

The Foundation acquires real estate properties that are to be used as affordable housing in current and future years. These properties, held as ongoing investments in affordable housing, are stated at cost less accumulated amortization. Cost includes all expenditures incurred in connection with the acquisition of real estate property, including all direct costs. During the year, legal services related to the acquisition of real estate were provided to the Foundation on a pro-bono basis. As this amount cannot be reasonably estimated, it has not been recorded as a cost of the acquisition. Major capital improvements and replacements are capitalized and amortized over the term appropriate to the expenditure.

The purchase price of assets held for affordable housing is allocated to land and building.

Buildings included in assets held for affordable housing are amortized over the estimated life of 40 years. In the year of acquisition, the assets are amortized at one-half the normal rate.

Management assesses these assets yearly for impairment. At March 31, 2010, there was no impairment of these assets.

Property and equipment

Purchased property and equipment are recorded at cost and are amortized over the estimated useful life as follows:

Furniture and equipment	25% Declining balance
Computer equipment	50% Declining balance
Leasehold improvements	Straight-line over the remaining life of the lease including the first renewal option

In the year of acquisition, the assets are amortized at one-half of the normal rate.

Financial instruments

The Foundation has chosen to follow the disclosure requirements of CICA Handbook Section 3861, instead of new expanded rules set out in Sections 3862 and 3863, in keeping with the options provided by Handbook Sections 3862.43(c) and 3863.40(c).

The Foundation's financial instruments recognized on the balance sheet consist of cash, term deposits, accounts receivable, accounts payable and accrued liabilities, line of credit, tenant deposits, and mortgage payable. The Foundation has classified its financial instruments into the following categories:

Category	**Financial Instrument**
Held for trading	Cash, term deposits
Loans or receivables	Accounts receivable
Financial liabilities	Line of credit, accounts payable and accrued liabilities, mortgage payable and tenant deposits

All financial instruments must initially be recognized at fair value on the balance sheet. Subsequent measurement of the financial instruments is based on their classification. Held for trading financial assets are measured at fair value with unrealized gains or losses recognized in the Statement of Operations. Financial loans or receivables and other financial liabilities are measured at cost or amortized cost.

a) Fair values

The fair value of these financial instruments, excluding mortgage payable, approximate their carrying amount due to their short-term nature. The fair value mortgage payable is not materially different from its carrying amount.

b) Credit risk

The Foundation does not have a concentration of credit exposure with any one party. The Foundation does not consider that it is exposed to undue credit risk.

c) Price risk

The Foundation is subject to price risk in the value of donated shares on the date of sale compared to the date of donation. The Foundation mitigates this risk by selling all shares upon release to the Foundation in an effort to ensure that price on date of transfer does not materially differ from the price on transfer.

d) Liquidity risk

Liquidity risk is the risk the Foundation may encounter difficulties in meeting its financial obligations. The Foundation manages its liquidity risk through cash and debt management.

e) Interest rate risk

The Foundation is exposed to interest rate risk to the extent of any upward revision in prime lending rates. The Foundation attempts to mitigate this risk by limiting the debt assumed and entering into medium-term mortgages.

Contributed goods and services

Donations of materials and services are recognized when the fair value can be reasonably estimated and the materials and services are used in the normal course of operations.

Volunteers have contributed a variety of services to assist the Foundation in carrying out its objectives. The fair value of such services are not recognized in these financial statements.

Deposits in trust for real estate acquisitions

Deposits in trust for real estate acquisitions include all payments made for properties whose purchases have not yet been finalized. Deposits are held in trust by solicitors for the Foundation. The amount is applied to the purchase price upon close or is refunded if the purchase does not close.

4. Assets held for affordable housing

	Cost	Accumulated Amortization	**2010 Net**	2009 Net
Land	$ 2,576,000	$ -	**$ 2,576,000**	$ 275,000
Buildings	10,439,999	(132,639)	**10,307,360**	887,075
	$ 13,015,999	$ (132,639)	**$ 12,883,360**	$ 1,162,075

5. Property and equipment

		Cost		Accumulated amortization		**2010 Net**		2009 Net
Computer equipment	$	89,061	$	53,301	**$**	**35,760**	$	29,609
Furniture and equipment		60,418		28,384		**32,034**		42,712
Leasehold improvements		17,868		8,934		**8,934**		14,890
	$	167,347	$	90,619	**$**	**76,728**	$	87,211

6. Line of credit

The Foundation has available a line of credit for an authorized amount of up to $5,000,000. The purpose of this credit is to assist in financing the purchase of real estate property for affordable housing purposes.

Individual draw amount of less than $500,000 are repayable within six months of draw date and amounts greater than $500,000 are repayable within one year of draw date. The balance at March 31, 2010 is due by March 19, 2011.

Interest on advances is payable on demand, but until demanded, interest is payable annually in arrears at the bank's prime lending rate. Interest payable will be offset by a charitable donation to the Foundation from the lender to a maximum of $250,000 per year, in accordance with the lending agreement.

Security for all credit includes a general security agreement over certain assets.

7. Deferred contributions

Deferred contributions relate to restricted operating contributions that relate to subsequent years.

Changes in deferred contributions are as follows:

		2010		2009 Restated (note12)
Opening balance	**$**	**338,005**	$	317,728
Proceeds received during the year		**1,191,295**		1,205,933
Expenditures made during the year		**(1,250,978)**		(1,185,656)
Closing balance	**$**	**278,322**	$	338,005

8. Mortgage payable

The mortgage payable for the Acadia property bears interest at a rate of 5.12% per annum, is payable in monthly principal and interest instalments totalling $20,958, matures in 2015 and is secured by the Acadia property having a carrying value of $8,994,056.

Estimated principle repayments to retire the mortgage obligations are as follows:

Year		Amount
2011	$	92,314
2012		97,512
2013		102,567
2014		107,886
2015 and thereafter		2,708,292

9. Related parties

a) Board of Directors

i) The Foundation paid disbursements amounting to $5,034 (2009 – $1,207) to a law firm of which a Director of the Foundation was a partner during the year. Of this amount $1,563 was included in accounts payable at March 31, 2010 (2009 – $nil).

ii) The Foundation paid professional fees amounting to $71,918 (2009 – $nil) to a principle of a corporation who is a Director of the Foundation.

iii) The Foundation paid operating expenses amounting to $59,358 (2009 – $66,188) to a trust which a Director of the Foundation controls. The Foundation also recorded $159,940 (2009 – $115,566) of donations in kind from the trust. A charitable receipt for tax purposes was not issued for this donation.

b) Controlled entity

The Foundation controls the Calgary Community Land Trust Society (the "Society"), as the Foundation's Board of Directors appoint the Board of Directors of the Society, who are all members of the Foundation.

The Society is a not-for-profit society incorporated June 19, 2003 under the Societies Act of Alberta. The Society receives and holds donations and purchases of land, land and buildings and funds to acquire land and buildings that will be dedicated in perpetuity for transitional and affordable housing in Calgary. The Society is designated a charitable organization and is exempt from income taxes under the Income Tax Act.

There are no significant differences in the accounting policies of the Foundation and the Society.

During the year, the Foundation granted to the Society $903,513 for the purchase of real property to provide affordable housing, which is included as donation revenue of the Project Fund of the Society.

The Foundation reports condensed financial information of this controlled not-for-profit organization as follows:

		Total 2010		Total 2009
Assets				
Current assets	**$**	**438,033**	$	464,271
Property held for affordable housing		**4,120,248**		3,184,984
	$	**4,558,281**	$	3,649,255
Liabilities	**$**	**206,441**	$	209,859
Fund balances				
Internally restricted – net assets invested in property held for affordable housing	**$**	**3,933,846**	$	2,985,125
Externally restricted		**319,131**		357,976
Unrestricted		**98,863**		96,295
		4,351,840		3,439,396
	$	**4,558,281**	$	3,649,255

		Total 2010		Total 2009
Revenue		**990,610**		106,805
Expenses		**78,166**		80,319
Excess of revenue over expenses	**$**	**912,444**	$	26,486

10. Commitments

The Foundation has entered into a lease agreement with the Government of Alberta for premises which expires on August 1, 2011. There is an option to renew for an additional three years at the option of the landlord. The consideration paid for the lease is $1 per year.

The Foundation has a lease for additional office space. This lease requires monthly base rent payments of $12,841 plus operating expenses and expires on April 30, 2011. The annual commitment related to future fiscal periods is as follows:

2011	$	154,089
2012		12,841

The Foundation has additional approved project disbursements to assist in the prevention and elimination of homelessness in Calgary. The unspent portion of the commitment at March 31, 2010 is as follows:

		2010		2009
Various provincial projects (flow-through funded)	**$**	**7,273,920**	$	1,860,920
Various provincial projects (capital acquisitions)		**2,268,345**		–

11. **Capital management**

The Foundation defines capital as the amounts included in its Fund balances.

The Foundation's objective when managing capital is to safeguard the Foundation's ability to continue as a going concern so that they can provide the appropriate level of benefits and services to its stakeholders.

A portion of the Foundation capital is restricted in that the organization is required to meet certain requirements included to utilize its externally restricted funds.

The Foundation monitors its capital through the use of detailed budgets that are approved by the Board of Directors, and the actual results are compared to budget on a monthly basis. Changes to the activity of the Foundation's expenditures are approved by the Board of Directors as needed. The Foundation has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

The Foundation sets the amount of fund balances in proportion to risk, manages the fund structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

12. **Restatement of prior year financial statements**

During the year, the organization clarified the nature and use of the restricted fund to include the assets, liabilities, revenues and expenses related to the Foundation’s homelessness projects and initiatives. Management reviewed the historical balances and segregated all balances and transactions between the two funds in accordance with the organization’s objectives and revenue recognition policy. Management restated the 2009 financial statements accordingly.

As a result of this change, the excess of revenue over expenses for the year ended March 31, 2009 decreased by $943,797 and deferred contributions decreased by $3,714,710 at March 31, 2009. In addition, fund balances at April 1, 2009 have increased by $3,714,710. Finally, the restricted fund was renamed the Project Fund.

13. **Comparative figures**

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

14. **Subsequent events**

During the year, the Foundation held deposits on three real estate properties reported as deposits held in trust for real estate acquisitions for $300,000. Subsequent to year end, the Foundation completed two acquisitions for a total purchase price of $7,035,000 funded by the deposits of $200,000, government funding received in fiscal 2010 of $2,047,500, additional government funding of $2,671,200 to be received in fiscal 2011, private donations of $941,800 and a draw on the line of credit of $1,174,500.

15. Grants

During the year the Foundation received $2,300,000 from the Minister of Housing and Urban Affairs for the delivery of a corrections discharge pilot program. The full amount received was recognized in donations and grants revenue of the Project Fund and was expensed during the year in Project disbursements of the Project Fund.

16. Statutory disclosures

As required under Section 7(2) of the Charitable Fundraising Act of Alberta, the Foundation discloses the following:

		2010		2009
Direct expenses incurred for the purposes of soliciting contributions	**$**	**33,533**	$	241,655

Contact Information

The Foundation's management team includes:

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A complete Report to the Community is available either on our website at www.calgaryhomeless.com or by contacting us below.

We also welcome your feedback on this Financial Report.

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