don't
ignore
me.

Calgary Homeless Foundation

Financial Report 2011

Calgary
Homeless
Foundation

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don't ignore me

The theme for our reports this year is based on a common comment from people experiencing homelessness that others ignore and judge them.

Whatever your age, gender, wealth, culture, faith, skills…
…given certain circumstances, you and those you love could become homeless.

Whatever your age, gender, wealth, culture, faith, skills…
…you can help those at risk of or experiencing homelessness.

what you can do

- **Smile**…it's a simple way to encourage those enduring tough times
- **Understand**…the issues and causes surrounding homelessness
- **Donate**…time, money, clothing, food or whatever you have to give
- **Educate**…your children and share what you have learned
- **Share**…by offering employment, affordable housing or job training
- **Contact**…your alderman, MLA and MP and tell them that ending homelessness in Calgary is a priority

what the community is doing

The goal of Calgary's 10 Year Plan to End Homelessness (10 Year Plan) is that by January 29, 2018, an individual or family will stay in an emergency shelter or sleep outside for no longer than one week before moving into safe, decent affordable home with the support needed to sustain it.

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) includes information about the Calgary Homeless Foundation's (the Foundation's) 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. Environment

In January 2011, the Foundation worked with the community to publish an updated 10 Year Plan to End Homelessness in Calgary (the 10 Year Plan). This 10 Year Plan includes a comprehensive overview of the environment in which the community is operating to end homelessness. As well, the Foundation annually publishes a Business Plan. Both these documents are available at www.calgaryhomeless.com.

B. Strategy

1. 10 Year Plan Overview

The Foundation is responsible for overseeing implementation of the 10 Year Plan 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 was first published in January 2008. The 10 Year Plan was updated in January 2011.

Consistent between the two 10 Year Plans are:

- resources are prioritized to the most vulnerable, particularly chronically and episodically homeless individual and families;
- 12 guiding principles, a 10 Year Plan model and a Housing First approach; and
- a commitment to end homelessness by 2018.

Differences in the updated Plan are:

- the building of a homeless-serving system focused on ending homelessness;
- attention to the unique needs of subpopulations (youth, women, families and Aboriginal Peoples);
- combining the prevention and rehousing strategies;
- more emphasis on preventing homelessness and reforming public systems that contribute to homelessness;
- concentration of limited resources on housing for those in greatest need; and
- the beginning of a transition to community leadership and planning for long-term sustainability of success.

The longer-term milestones for the 10 Year Plan are:

- by 2014, 1,800 people who are chronically and episodically homeless will obtain and maintain housing;
- by 2014, no more than 10% of those served by Housing First programs return to homelessness;
- by December 2014, all individuals who engage in rough sleeping (sleeping outside) will have access to housing and support options appropriate to their needs;
- by 2018, 85% of emergency shelter beds (1,700 beds) will be eliminated. At minimum, a 600-bed reduction should be achieved by 2014;
- by December 2014, the average length of stay by a family in an emergency shelter will be 14 days and seven days by January 29, 2018; and
- by January 29, 2018, the average stay in an emergency shelter will be less than seven days, at which point people will move into permanent housing.

2. Progress in the First Three Years

During the first three years of the 10 Year Plan, there were many successes, as shown by the number of people receiving housing and support, greater agency collaboration and continued public funding.

From a client perspective, 2,660 people were housed and supported through programs funded by the Foundation. In the first three years of the 10 Year Plan, 3,051 units of affordable housing were funded in Calgary.

The homeless-serving sector also began to work better together. Seven out of nine sectors in the Community Action Committee have Housing First Programs. Similarly, most emergency shelters have housing programs in place or under development. Agencies are coordinating intake and rehousing, and twenty agencies will begin using the Homeless Management Information System (HMIS) in 2011.

The public sector also remains supportive. Despite a recession, the Government of Alberta committed $188 million for affordable housing and $42 million for housing and support programs across the province.

The result is that use of emergency shelters for individuals has stabilized and is beginning to decline. Unfortunately, family emergency shelter use has not yet stabilized, despite 510 families being housed with support over three years.

3. Goals for 2012

Each year, the Foundation publishes a Business Plan articulating its goals in support of the 10 Year Plan. The goals this year are to:

- house with support 500 chronically and episodically homeless individuals;
- acquire between 175 to 230 permanent supportive and affordable housing units;
- develop and implement a ‘System Planning Framework’ to guide program, capital and operating investment and performance expectations; and
- fundraise for the Foundation’s operations and launch capital campaign.

These goals also link to commitments in the Plan, as indicated below.

• House with support 500 chronically and episodically homeless individuals	• House with support 1,500 chronic and episodically homeless people by 2014
• Enumerate rough sleeping population and develop housing and support for this population	• Provide access to housing and support options appropriate to the needs of all individuals engaging in rough sleeping by December 2014
• Reduce emergency shelter beds by 150	• Eliminate 85% of 2010 emergency shelter beds by 2018 (a 1,700 bed reduction), reducing a minimum of 600 beds by 2014
• Reduce year-over-year length of stay in family emergency shelters by 10%	• Reduce the average length of stay in family emergency shelters to 14 days by December 2014 and to seven days by January 2018
• Establish a benchmark for length of stay in the singles emergency shelter system	• Reduce the average length of stay in emergency shelters to seven days by January 2018

These are also vulnerable sub-populations with distinct needs who require more tailored interventions.

- *Chronic and episodically homeless* are at higher risk of death due to very poor health and long-term homelessness. They also use more than 50% of emergency shelter capacity.
- *Aboriginal peoples* are over represented, making up about 2% of the general population but 30% of the homeless population. They also have culturally-specific needs calling for tailored strategies to overcome barriers to housing stability.
- *Youth (up to 24 years of age)* are extremely vulnerable because they are at an early life-stage.
- *Families* require immediate action because of the presence of children.
- *Women* merit specific attention due to a higher vulnerability related to domestic violence, victimization on the street, poverty and frequently being the lone heads of household.

C. Risk Management

The following risks have been identified as having the highest likelihood and impact on the Foundation.

Loss of Major Funder

The Foundation relies on federal and provincial funding. A change in government could result in a loss or change to this funding. A significant failure by the Foundation, such as misuse of public funds or loss of public trust, could also result in a loss of a major funder. To mitigate this risk, the Foundation is committed to the highest possible standards of governance and financial management. The Foundation also will develop an ethics policy to guide employees on expected conduct.

Support of the Foundation's Fund Development Strategy

The Foundation needs to fundraise $45 million over seven years so that 1,050 affordable housing units are mortgage-free. This assumes the Foundation continues to receive provincial grants and is successful in finding appropriate housing. The Foundation also needs to develop an investment vehicle to raise $20 million over the last three years of the 10 Year Plan so that an additional 450 units can be mortgage free. Again, this relies on the Foundation receiving provincial grants and finding appropriate housing. The Foundation must also fund raise multi-year commitments that would provide operating funds of $650,000 beginning in 2012 or 2013. To mitigate this risk, the Foundation is implementing capital and operating fund development strategies. The Foundation could adjust capital acquisitions and development to match available financing and donations and could adjust operations to match available funds.

Affordable Housing Operations – Major Incident

The Foundation owns a number of affordable housing units, which house tenants who may be vulnerable and have high needs. As a housing owner, the Foundation works with third-party property managers and must maintain buildings according to schedules and capital plans, and ensure safety and security systems are in place. The Foundation also works with non-profit agencies who provide tenant support. Performance management and monitoring with support agencies is being strengthened, particularly with the implementation of case management standards in 2011 to 2012. To mitigate the risk of being an affordable housing operator, the Foundation is implementing a housing manual, training operators and developing service-level contracts. The Foundation implemented extensive fire safety and security upgrades at its properties. The Foundation also conducts an annual insurance review and has emergency protocols for staff, property managers and agencies.

Compliance with Legislation, Regulations, By-laws

As the Foundation has grown to include property ownership, greater funding of diverse projects, implementation of the HMIS and leadership at a national level, its operations are more complex. This means the expectations on the Board of Directors, Officers, management and staff are also increasing. To manage this increased complexity, the Board of Directors and five Committees meet regularly to ensure compliance with legislation, regulations and by-laws. Management has an annual compliance sign off process, which is fed back to the Board of Directors. The Foundation also has a controller and in-house counsel to staff in order to be able to access financial and legal advice.

Failure to Meet Plan Objectives

The 10 Year Plan has a number of objectives set out to 2018. Achieving these objectives could be impacted by many variables outside the control and/or influence of the Foundation. As well, the 10 Year Plan relies on a number of contributors, in particular non-profit agencies to provide housing and support. If the community lacks the capacity to provide housing and support, it will be difficult to achieve the goals in the 10 Year Plan. To mitigate this risk the Foundation is using HMIS information to assess migration and the dynamics of client flow. The Foundation is also involving key stakeholders in strategic planning so that non-profit agencies are aligned. The Foundation is also developing performance management and contract monitoring to ensure funded agencies meet objectives and are supported. Investments in training and accreditation for agency staff will also help with community capacity to provide housing and support.

Governance / Operating Policy

The Foundation has grown significantly over the past three years, which has resulted in the potential for operational policy and procedural gaps. As a steward of public sector funding, the Foundation is also responsible for monitoring agency operations, complying with legislative requirements and maintaining transparency. To ensure that governance and operating policies are adequate, the Foundation is completing a review of enterprise risk management processes and policies, which includes financial controls, operating policies, project monitoring and staff training. The Foundation has also been restructured to improve oversight of programs and the system planning. This restructuring was based on a 'best practice' review with the assistance of the National Alliance to End Homelessness in the United States.

Interest Rate Impact on Debt

The Foundation's debt is about $8.17 million as at March 31, 2011, made up of mortgages owing of $6.32 million and a line of credit of $1.85 million. Mortgage terms are between two- to five-year terms and at interest rates of about 3.5%. Should the Foundation find appropriate housing to match grants received, this debt would rise to about $9.9 million. To manage interest rates associated with this debt, the Foundation is locking in low-interest rates, controlling the amount of future debt, reducing financing through fundraising, performing sensitivity analysis to set rents and prioritizing debt based on the cash flow analysis of various properties.

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	2011	2011 Detail	2010
Total revenues	**$ 40,821,325**	$ 6,007,969 operating $ 34,813,356 project	$ 40,540,325
Expenses	**$ 31,951,890**	$ 5,055,963 operating $ 26,895,927 project	$ 22,798,651
Excess (deficiency) of revenues over expenses	**$ 8,869,435**	$ 952,006 operating $ 7,917,429 project	$ 17,741,674

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

Cash of $18.05 million in 2010 decreased to $15.92 million in 2011. This decrease was due to the distribution to agencies of provincial funds flowed to the Foundation in 2010 and increased program spending in 2011. Also, deposits in trust for real estate acquisitions decreased from $300,000 in 2010 to $59,042 in 2011. This was because one property was under conditional purchase at March 31, 2011, compared with three properties being under conditional purchase at March 31, 2010. Property held for affordable housing also increased significantly from $12.88 million in 2010 to $29.57 million in 2010. This was due to the acquisition of the Bowness, Bankview, Kingsland and Capitol Hill properties.

In 2011, the Foundation accessed a $1.17 million line of credit from First Calgary Financial to purchase a property. This line of credit is due in April 2011. Mortgage on properties was $6.32 million in 2011, compared with $3.11 million in 2010 due to the financing received on three properties. Loan payable increased from nil in 2010 to $366,358 in 2011. The Foundation received a $374,878 loan from the Canada Mortgage and Housing Corporation. This loan is forgivable over 15 years, with $8,520 of revenue and reduction of the loan recognized in 2011. Approved project disbursements were recorded at March 31, 2011 due to the Foundation being obligated to deliver funds through to 2013 related to contracts signed in 2011.

Fund balances were $33.90 million in 2011, of which $353,132 was internally restricted – net investment in property and equipment; $21.04 million was internally restricted – net investment in property held for affordable housing; $8.86 million was externally restricted; and, $3.65 million was unrestricted. This compares with fund balances of $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. The increase in fund balances compared with 2010 was due to revenue rising because of funds granted for real property acquisition, as well as revenue received in 2011 to be distributed in 2012.

3. Statement of Operations

Donations and grants were consistent with 2010. This consistency was due to the receipt of $22.96 million from the province in 2010 and $29.66 million in 2011. The $6.70 million increase in 2011 was offset by $5.90 million provided by The City of Calgary, a $2.00 million private donation to support capital asset acquisitions and $500,000 of corporate Calgary support received in 2010 that was not received in 2011. As well, rental revenue of $1.21 million was generated in 2011 compared with $372,762 in 2010. The Foundation operated the equivalent of 42 affordable housing units in 2010 compared with 131 affordable housing units in 2011. In 2011, special events income was $236,404, lower compared with 2010, when special events income was $397,019. This was due to further restructuring of special events in 2011. Investment income was $62,164 in 2010 and $112,623 in 2011 due to an increase in interest rates in 2011 compared with 2010 and higher average cash balances in 2011 compared with 2010.

Operating expense was $27.57 million in 2011, made up of $26.18 million in project disbursements, $1.11 million in real property costs and $275,256 in special events. This compares with operating expenses of $19.79 million in 2010, made up of $19.21 million in project disbursements, $293,864 in real property costs and $289,000 in special events. The increase in operating expenses was due to the Foundation continuing to flow federal funding, an increase in provincial funding for Calgary agencies and the continued acquisition and operation of real property for affordable housing. These increases were offset by fewer special events and cost efficiencies achieved in 2011 compared with 2010.

Administration expenses were $4.38 million in 2011 compared with $3.01 million in 2010. Administration expenses in 2011 were made up of $2.27 million in salaries, $1.59 million in office expenses and $523,708 in amortization. In comparison, 2010 administration expenses were $1.84 million in salaries, $1.01 million in office expenses and $160,494 in amortization. The increase in administration expenses was due to increased staff head count and related operations 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 9.7% in 2011 compared with 7.4% in 2010. The Foundation’s administration is supported by the federal and provincial governments in its role as community funder. Administration costs include staff and related costs incurred to acquire and operate affordable housing, to perform research activities, to do communications and fund development and to develop and monitor contracts and funding agreements. Of the 9.7% (2010 – 7.4%) costs incurred for administration, 23.7% (2010 – 23.3%) was directly related to program activities.

4. Liquidity and Capital Resources

Cash balances were $15.92 million at the end of 2011, compared with $18.05 million at the end of 2010. This was due to the use of cash in 2011 that was received from the Province of Alberta in August 2009 to deliver funds to various agencies in Calgary under the 2010-11 Service Delivery Plan.

The Foundation's operating activities generated $10.62 million in cash in 2011, compared with $20.89 million in 2010. This was due to revenue exceeding expenses by $8.87 million in 2011, compared with $17.74 million in 2010. This large decrease was attributed to increased funds flowed to agencies to support programs.

Investing activities were $17.51 million in 2011, primarily due to $17.10 million spent to purchase affordable housing. A list of these properties can be found on pages 19 through 21 of the 2011 Report to the Community. Investing activities were $11.92 million in 2010 due to $11.85 million spent to purchase affordable housing.

Financing activities were $4.76 million in 2011, compared with $3.78 million in 2010. This was due to the receipt of mortgage proceeds to support acquisition of affordable housing in Kingsland, Bowness and Capitol Hill in 2011, offset by monthly principal payments.

Property	Interest Rate	Monthly Principal and Interest Payments	Maturity (fiscal year)
Acadia	5.12%	$ 20,658	2015
Bowness (Longbow)	3.46%	$ 4,754	2016
Capitol Hill (Francis Manor)	3.62%	$ 4,805	2017
Kingsland (Claire Apartments)	3.00%	$ 3,500	2014

5. Activities Subsequent to March 31, 2011

During the year, the Foundation held deposits of $50,000 on one real estate property reported as deposits held in trust for real estate acquisitions. Subsequent to year end, the Foundation completed the acquisition for a purchase price of $1.90 million, using $50,000 of deposit funds, government funding of $1.28 million dollars held by the Foundation in restricted funds at March 31, 2011 and draw on line of credit of $570,000.

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 2 of the audited financial statements and notes.

Independent Auditors' Report

To the Directors of
The Calgary Homeless Foundation

We have audited the accompanying financial statements of Calgary Homeless Foundation, which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in fund balances, and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 in our audit 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 Calgary Homeless Foundation as at March 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

June 10, 2011

Statement of Financial Position

As at March 31, 2011	Operating	Project	Total 2011	Total 2010
Assets				
Current assets				
Cash	$ 2,655,846	$ 13,267,018	**$ 15,922,864**	$ 18,050,376
Short term investments	1,021,850	–	**1,021,850**	1,000,000
Accounts receivable	447,480	1,226,021	**1,673,501**	37,699
Prepaid expenses	38,747	36,144	**74,891**	32,878
Deposits in trust for real estate acquisitions	–	59,042	**59,042**	300,000
	4,163,923	14,588,225	**18,752,148**	19,420,953
Property held for affordable housing (note 3)	–	29,574,070	**29,574,070**	12,883,360
Property and equipment (note 4)	353,132	–	**353,132**	76,728
	$ 4,517,055	$ 44,162,295	**$ 48,679,350**	$ 32,381,041
Liabilities				
Current liabilities				
Line of credit (note 5)	$ –	$ 1,849,500	**$ 1,849,500**	$ 675,000
Tenant deposits	20,144	–	**20,144**	30,826
Accounts payable and accrued liabilities	345,521	28,205	**373,726**	335,805
Deferred contributions (note 6)	144,232	–	**144,232**	278,322
Current portion of mortgage payable (note 7)	–	143,978	**143,978**	92,314
Current portion of approved project disbursements (note 9)	–	2,944,878	**2,944,878**	2,920,013
	509,897	4,966,561	**5,476,458**	4,332,280
Mortgage payable (note 7)	–	6,178,495	**6,178,495**	3,016,257
Loan payable (note 8)	–	366,358	**366,358**	–
Approved project disbursements (note 9)	–	2,756,100	**2,756,100**	–
	509,897	14,267,514	**14,777,411**	7,348,537
Fund balances				
Internally restricted – net investment in property and equipment	353,132	–	**353,132**	76,728
Internally restricted – net investment in property held for affordable housing	–	21,035,739	**21,035,739**	6,179,276
Externally restricted	–	8,859,042	**8,859,042**	15,798,076
Unrestricted	3,654,026	–	**3,654,026**	2,978,424
	4,007,158	29,894,781	**33,901,939**	25,032,504
	$ 4,517,055	$ 44,162,295	**$ 48,679,350**	$ 32,381,041

Commitments (note 11)

Approved by the Board of Directors

Director

Director

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2011	Operating	Project	Total 2011	Total 2010
Revenue				
Donations and grants	$ 4,671,131	$ 34,591,117	**$ 39,262,248**	$ 39,708,380
Rental revenue	1,210,050	–	**1,210,050**	372,762
Special events	91,334	145,070	**236,404**	397,019
Investment income	35,454	77,169	**112,623**	62,164
	6,007,969	34,813,356	**40,821,325**	40,540,325
Operating expenses				
Project disbursements	–	26,184,665	**26,184,665**	19,210,430
Real property costs	849,036	258,409	**1,107,445**	293,864
Special events	235,295	39,961	**275,256**	289,000
	1,084,331	26,483,035	**27,567,366**	19,793,294
Administration expenses				
Salaries	2,270,820	–	**2,270,820**	1,835,213
Office	1,589,996	–	**1,589,996**	1,009,650
Amortization	110,816	412,892	**523,708**	160,494
	3,971,632	412,892	**4,384,524**	3,005,357
Total expenses	5,055,963	26,895,927	**31,951,890**	22,798,651
Excess of revenue over expenses	952,006	7,917,429	**8,869,435**	17,741,674
Fund balances Beginning of year	3,055,152	21,977,352	**25,032,504**	7,290,830
Fund balances End of year	$ 4,007,158	$ 29,894,781	**$ 33,901,939**	25,032,504

Statement of Cash Flows

For the year ended March 31, 2011	2011	2010
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	**$ 8,869,435**	$ 17,741,674
Item not affecting cash		
Amortization	**523,708**	160,494
Amortization of loan payable (note 8)	**(8,520)**	–
	9,384,623	17,902,168
Change in non-cash working capital items	**(1,543,708)**	2,992,209
Increase in approved project disbursements	**2,780,965**	–
	10,621,880	20,894,377
Investing activities		
Purchase of equipment	**(387,220)**	(17,372)
Purchase of property for affordable housing	**(17,103,602)**	(11,853,924)
Net change in short term investments	**(21,850)**	(46,935)
	(17,512,672)	(11,918,231)
Financing activities		
Increase in mortgage payable	**3,306,216**	3,150,092
Repayments of mortgage payable	**(92,314)**	(41,521)
Increase in line of credit	**1,174,500**	675,000
Increase in loan payable	**374,878**	–
	4,763,280	3,783,571
(Decrease) increase in cash	**(2,127,512)**	12,759,717
Cash – Beginning of year	**18,050,376**	5,290,659
Cash – End of year	**$ 15,922,864**	$ 18,050,376
Supplemental information		
Interest paid	**$ 180,947**	$ 81,503

Notes to Financial Statements

March 31, 2011

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. 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 when future receipt of cash is guaranteed by a funding agreement. 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.

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

Special events 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 2.25% and matures on December 1, 2011.

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. 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 buildings.

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.

Property and equipment

Effective April 1, 2010, the Foundation changed its amortization calculation for its furniture and equipment and computer equipment assets from declining balance to straight-line method to more accurately reflect the pattern of usage and the expected benefits of the assets.

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

Furniture and equipment	4 years straight-line
Computer equipment	2 years straight-line
Software	3 years straight-line
Leasehold improvements	Remaining life of the lease including first renewal option

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

In 2011, $33,016 in additional amortization has been recorded than would have been under the declining balance method. The amount of the effect in future periods has not been disclosed because estimating it is impracticable.

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, short-term investments, deposits in trust for real estate acquisitions, accounts receivable, accounts payable and accrued liabilities, line of credit, tenant deposits, loan payable, approved project disbursements and mortgage payable. The Foundation has classified its financial instruments into the following categories:

Category	**Financial Instrument**
Held for trading	Cash, short-term investments, deposits in trust for real estate acquisitions
Loans or receivables	Accounts receivable
Financial liabilities	Line of credit, accounts payable and accrued liabilities, mortgage payable, tenant deposits, loan payable and approved project disbursements.

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, loan payable and future project disbursements are not materially different from their respective carrying amounts.

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 that the Foundation will 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 is 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.

3. Assets held for affordable housing

	Cost	Accumulated Amortization	**2011 Net**	2010 Net
Land	$ 7,521,000	$ –	**$ 7,521,000**	$ 2,576,000
Buildings	22,598,601	545,531	**22,053,070**	10,307,360
	$ 30,119,601	$ 545,531	**$ 29,574,070**	$ 12,883,360

4. Property and equipment

	Cost	Accumulated amortization	**2011 Net**	2010 Net
Computer equipment	$ 44,835	$ 38,623	**$ 6,212**	$ 35,760
Furniture and equipment	82,385	45,970	**36,415**	32,034
Software	273,327	45,554	**227,772**	–
Leasehold improvements	109,794	27,062	**82,733**	8,934
	$ 510,341	$ 157,209	**$ 353,132**	$ 76,728

5. 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 amounts 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, 2011 is due by April 30, 2011.

Interest on advances is payable on demand, but until demanded, interest is payable annually 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 the line of credit includes a general security agreement over certain property held for affordable housing.

6. Deferred contributions

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

Changes in deferred contributions are as follows:

		2011		2010
Opening balance	**$**	**278,322**	$	338,005
Proceeds received during the year		**383,458**		1,191,295
Amounts recognized as revenue during the year, reported as donations and grants		**(517,548)**		(1,250,978)
Closing balance	**$**	**144,232**	$	278,322

7. Mortgages payable

		2011		2010
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 $20,658, matures in 2015 and is secured by the Acadia property having a carrying value of $9,016,609.	**$**	**3,015,868**	$	3,108,571
Mortgage payable for the Longbow property bears interest at a rate of 3.46% per annum, is payable in monthly principal and interest instalments totalling $4,754, matures in 2016 and is secured by the Longbow property having a carrying value of $3,096,383.		**956,280**		–
Mortgage payable for the Francis Manor property bears interest at a rate of 3.62% per annum, is payable in monthly principal and interest instalments totalling $4,805, matures in 2017 and is secured by the Francis Manor property having a carrying value of $3,096,332.		**950,325**		–
Mortgage payable for the Claire Apartment property bears interest at a rate of 3% per annum, principal is payable at maturity, monthly interest instalments total $3,500, matures in 2014 and is secured by the Claire Apartment property having a carrying value of $5,950,393.		**1,400,000**		–
	$	**6,322,473**	$	3,108,571
Less: Amounts due in one year		**143,978**		92,314
	$	**6,178,495**	$	3,016,257

Principal repayments related to the mortgages payable are as follows:

Year		Amount
2012	$	147,079
2013		152,716
2014		1,559,825
2015		2,758,595
2016 and thereafter		1,704,257

8. Loan payable

The loan is payable to Canadian Mortgage and Housing Corporation (CMHC). It is a non-interest bearing loan granted for the purpose of developing affordable housing which was expended on the Sunalta Lodging House. The loan is forgivable over 15 years.

		Balance – Beginning of year		Additions		**Forgiven in Year**		Balance – End of year
Sunalta Lodging House	$	–	$	374,878	$	8,520	$	366,358

9. Approved project disbursements

The Foundation has entered into contracts with various agencies to deliver project funds over the following years:

Year		Amount
2012	$	2,944,878
2013		2,193,600
2014		562,500
	$	5,700,978

10. Related parties

a) Board of Directors

i) The Foundation paid disbursements amounting to $24,987 (2010 – $5,034) to a law firm of which a Director of the Foundation was a partner during the year. Of this amount $nil was included in accounts payable at March 31, 2011 (2010 – $1,563).

ii) The Foundation paid professional fees amounting to $nil (2010 – $71,918) to a principal of a corporation who is a Director of the Foundation.

iii) The Foundation paid operating expenses amounting to $68,464 (2010 – $59,358) to a trust which a Director of the Foundation controls. The Foundation also recorded $172,157 (2010 – $159,940) 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 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 a designated 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 recorded as project expenditures $1,730 (2010 – $903,513) granted to the Society for the repair of real property (2010 – acquisition of real property) to provide affordable housing, which is included as donation revenue of the Operating Fund (2010 – Project Fund) of the Society.

Accounts receivable includes $5,225 (2010 – $nil) receivable from the Society. The amount is non-interest bearing and payable on demand.

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

		Total 2011		Total 2010
Assets				
Current assets	**$**	**448,789**	$	438,033
Property held for affordable housing		**4,098,593**		4,120,248
	$	**4,547,382**	$	4,558,281
Liabilities	**$**	**187,269**	$	206,441
Fund balances				
Internally restricted – net assets invested in property held for affordable housing	**$**	**3,925,648**	$	3,933,846
Externally restricted		**319,131**		319,131
Internally restricted		**102,902**		–
Unrestricted		**12,432**		98,863
		4,360,113		4,351,840
	$	**4,547,382**	$	4,558,281

		Total 2011		Total 2010
Revenue		**118,548**		990,610
Expenses		**110,275**		78,166
Excess of revenue over expenses	**$**	**8,273**	$	912,444
Cash inflow from operating activities		**30,503**		976,457
Cash inflow (outflow) from investing activities		**23,730**		(861,167)

11. 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 $14,346 plus operating expenses and expires on July 31, 2015. The annual commitment related to future fiscal periods is as follows:

2012	$	172,157
2013		172,157
2014		172,157
2015		172,157
2016		57,386

The Foundation has additional funding from the province to assist in the prevention and elimination of homelessness in Calgary. The unspent portion of the commitment at March 31, 2011 is as follows:

		2011		2010
Project flow-through activities	**$**	**8,800,297**	$	7,620,510
Project capital acquisitions		**182,363**		2,268,345

12. 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 the Foundation 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.

13. Comparative figures

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

14. Subsequent events

At March 31, 2011 the Foundation held deposits on a real estate property reported as deposits held in trust for real estate acquisition for $50,000. On May 27, 2011, the Foundation completed the acquisition for a purchase price of $1,900,000 funded by the deposit of $50,000, government funding received in fiscal 2010 of $1,280,000, and line of credit proceeds of $570,000.

15. Statutory disclosures

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

		2011
Direct expenses incurred for the purposes of soliciting contributions	**$**	**147,117**

Audit and Finance Committee

The Foundation's Audit and Finance Committee includes:

Darcy Verhun Treasurer and Chair of Audit and Finance Committee	Conroy Ross Partners
Luana Comin-Sartor	Ernst & Young LLP
Sam Kolias	Boardwalk REIT

Contact Information

The Foundation's management team includes:

Tim Richter, President and CEO	tim@calgaryhomeless.com
Laura Dickson, Chief Operating Officer	laura@calgaryhomeless.com
Martina Jileckova, VP, Housing	martina@calgaryhomeless.com
Andrea Ranson, VP, Comms. and Fund Development	andrea@calgaryhomeless.com
Alina Turner, VP, Strategy	alina@calgaryhomeless.com

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

The Foundation aims to provide all of our stakeholders with transparency and accountability. Any complaints or concerns with the Foundation can be anonymously reported through an external whistleblower line 403 214 1821.

We also welcome your feedback on this Financial Report.

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what you can do

To get involved (learn more, speak up, volunteer and donate) go to www.calgaryhomeless.com or call 403 237 6456.

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Calgary Homeless Foundation