

Two Decades of TIME & COMMUNITY IMPACT

MANAGEMENT'S DISCUSSION & ANALYSIS



Calgary Homeless
FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) includes information about the Calgary Homeless Foundation's (the Foundation's or CHF'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 involves risks, uncertainties and other factors that may cause actual results to differ materially from those stated in this MD&A. Forward-looking information is designed solely to help readers understand management's current views and is not appropriate for other purposes. The Foundation disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Please note the period April 1, 2016 to March 31, 2017 is referred to as fiscal 2017, the period April 1, 2017 to March 31, 2018 is referred to as fiscal 2018 and the period April 1, 2018 to March 31, 2019 is referred to as fiscal 2019.

1. Environment

Homelessness is a complex social issue that is attributable to 3 main factors:

- Economy (unemployment, rental vacancy rates, rental costs)
- Government policies (affordable housing, income supports, social supports)
- System response (health, justice, social services)

For individuals and families, homelessness can be experienced as a one-time event, an episodic infrequently recurring event or as a long-term debilitating life-event that continues to impact their lives over months and years. Its presence is influenced by many variables.

Homelessness in Alberta and in Calgary

Trends and events impacting homelessness since the last report include:

- According to an October 2017 Canada Mortgage and Housing Corporation (CMHC) report:
 - Despite a strong increase of 1,637 units in rental supply, demand outpaced the supply, resulting in a decrease in rental vacancy rate from 7.0% to 6.3%, the first decline in Calgary's rental vacancy rates since 2013.
 - Average rent was reduced 1.6% to \$1,128, which continues to remain unaffordable for at-risk and vulnerable Calgarians. Social assistance benefit levels at \$650 per month for rent and food do not provide households with sufficient monthly income.

- The Calgary Census Metropolitan Area added nearly 30,000 jobs in the first nine months of 2017, however, the unemployment rate remains at 8.2% in March of 2018, elevated above the national average and significantly higher than Edmonton's rate of 6.7%, This has resulted in net interprovincial out-migration. However, international migration continued to be an important source of rental demand.
- The most recent provincial budget had a modest 1% increase for Homeless Support Outreach Services to support Housing First programs for new housing units for which capital funding was already in place, ensuring continued investment in existing program spaces. However, many people on social assistance continue to see the erosion of the value of their benefits, as benefits have not been increased for several years.
- The 2019 sunset date for Alberta's provincial 10 Year Plan to End Homelessness is approaching and the various Alberta 7 Cities local community plans are reaching their conclusion dates. CHF's final reporting on Calgary's plan is in December 2018. CHF is in active discussions with the government to ensure ongoing and additional obligations, commitments and investments in Calgary's Homeless-Serving System of Care (CHSSC) are secure and congruent to meet the needs of those who are homeless.
- Federally, there is an increased focus on housing issues. In late 2017, the federal government released its National Housing Strategy with proposed key initiatives including:
 - Reducing chronic homelessness by 50% over 10 years
 - Beginning in 2020, the creation of a Canada Housing Benefit of \$2,500 per year
 - A new National Housing Co-Investment Fund to create up to 60,000 new housing units and repair up to 240,000 units of existing housing over 10 years
 - A shift from traditional social housing models toward mixed-income developments
 - A National Housing Strategy Research Agenda to rapidly incubate and scale potential solutions to housing affordability pressures
 - Beginning in 2020, reports to Parliament every three years on housing targets and outcomes
 - Separate national housing plans for First Nations, Inuit and Metis peoples, to be developed in conjunction with these groups

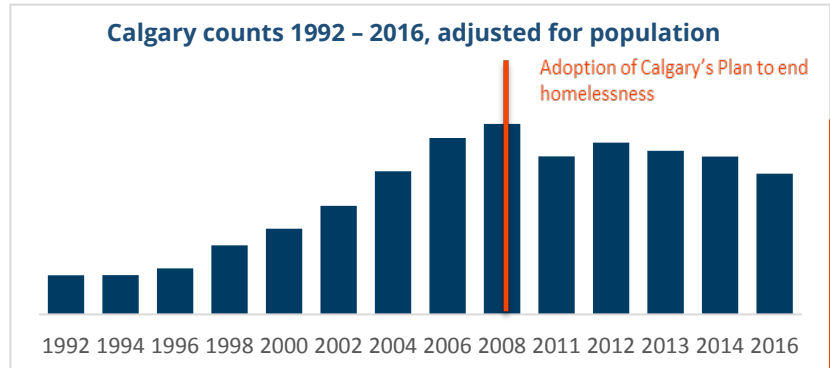
The 2018 federal budget committed \$1.5 billion over the next several years for on-reserve, Inuit and Metis housing and an expansion of the Working Income Tax Benefit wage supplement for workers. This adds to the 2017 budget commitments to increase the Homelessness Partnering Strategy program funding starting in fiscal 2020 and \$11.2 billion to be spent over 11 years for housing capital funding. These commitments are anticipated to have an impact on homelessness, however, very little of the funding will flow before fiscal 2020 and could be at risk depending on the results of the 2019 federal election.

The Point in Time Count is a biennial activity that provides one lens from which to increase understanding of the state of homelessness. This count serves two important functions: it provides a current snapshot of our overall homeless population and enables us to examine how this population changes over time. The most recent count was in April 2018, coordinated provincially and across Canada. This data is being analyzed and results of this count will be released in July 2018.

At the time of the previous count in October of 2016, homelessness in Alberta had decreased by 32% across the province since homeless-ending plans were implemented. Homelessness in Calgary was reduced to approximately 3,222 people.

3222

people were counted as experiencing homelessness in Calgary.



From 1994 to 2008, Calgary had the fastest growing population of people experiencing homelessness in Canada. Point-in-Time Count projections estimated that, in the absence of targeted interventions, there would be more than 10,000 people experiencing homelessness in Calgary on any given night by the end of 2018.

Calgary led the country by ambitiously implementing Canada's first 10 Year Plan to End Homelessness (Calgary's Plan). In 2008, Calgary's Plan started with a Housing First strategy and called on all orders of government to take action. The Calgary Homeless Foundation (CHF) was chosen to implement Calgary's Plan and coordinate efforts among the homeless-serving community.

In the face of record in-migration to Calgary, there are now 26% fewer people (per capita) experiencing homelessness today than in 2008. The homeless-serving community has housed more than 9,000 people and are on track to house 10,000 people by the end of 2018. Over 2,100 programming spaces were added throughout Calgary, ensuring that individuals are not only housed, but housed with the right supports. Every year, over 90% of those housed either retain their housing or graduate successfully to independence. The homeless-serving community has also built more than 500 units of permanent housing with supports and are on track for more than 620 units of housing for vulnerable individuals by the end of 2018.

Despite the successes over the past 10 years, over 15,000 people are estimated to be in extreme need of housing. Calgary continues to need more affordable and purpose-built housing appropriate for vulnerable people and specialized populations; and, a continued focus on Housing First programs and integration of the Homeless-Serving System of Care with larger public systems such as the health and justice systems.

During the past decade, the homeless-serving community has achieved a stronger understanding about the scope of homelessness in Calgary and how to continue the important work started under Calgary's Plan. In the coming months, CHF will synthesize this knowledge into a summative report to stakeholders. Calgarians can look forward to an event in December, 2018 where CHF and the homeless-serving community will share this report and look beyond 2018.

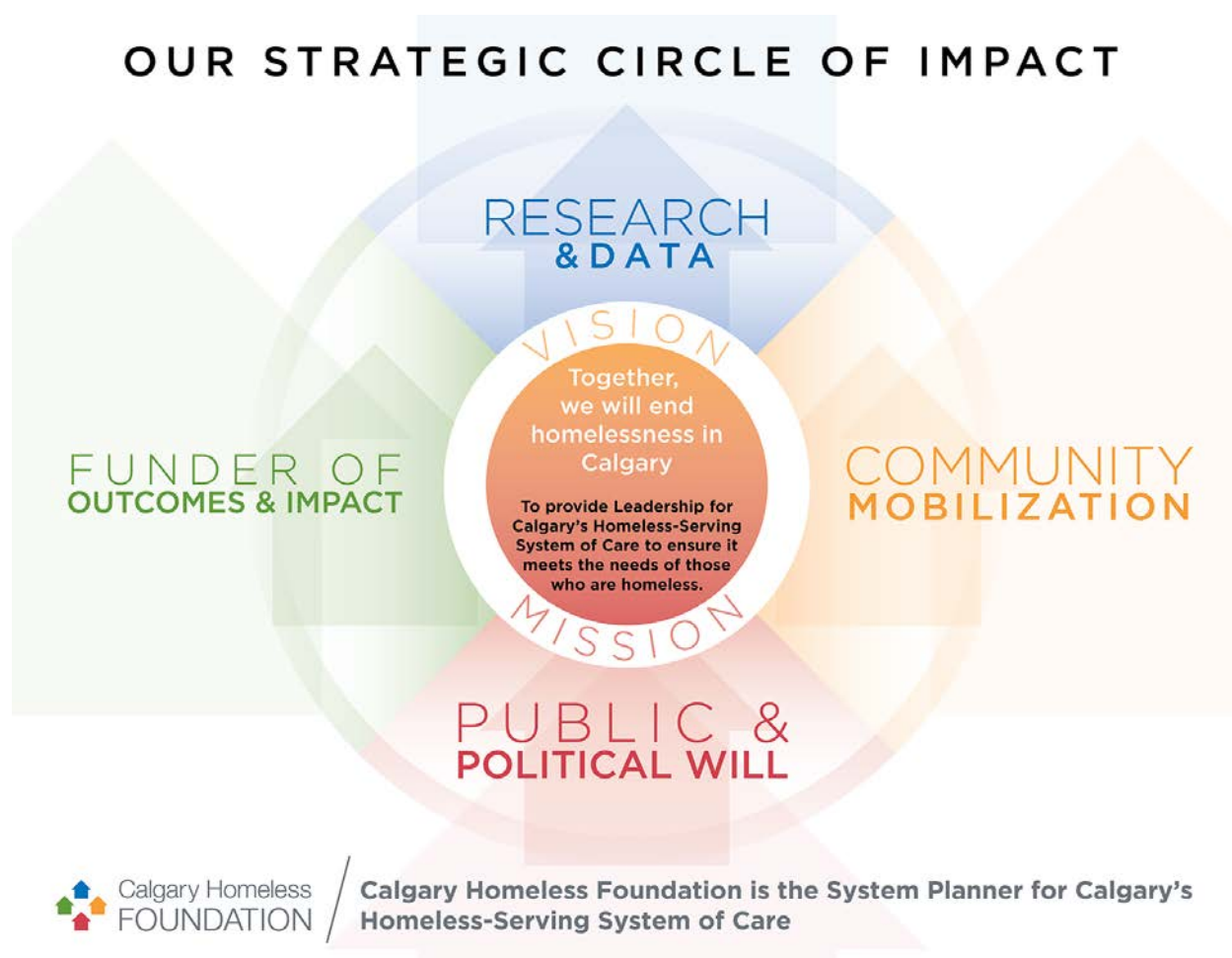
2. Organization and Leadership

The CHF is structured into three primary areas: Homeless Serving System of Care, Stakeholder Engagement and Operations. As at March 31, 2018, there were 40 employees. The leadership team can be found on the CHF website at:

<http://calgaryhomeless.com/about/leadership/>

3. Strategy

The Calgary Homeless Foundation is a catalyst and enabler for Systems and Service Agencies to optimize client success. CHF focuses on four strategic pillars of work: Advocacy, Research and Development, Systems Planning, and Funding (outcomes). In addition, CHF addresses gaps and identifies best practices to improve the system of care and enhance desired client outcomes. Through mobilization of collective impact, CHF is committed to moving forward in partnership with the many homeless-serving agencies, the private sector, government partners, local communities, the faith community, other foundations and all Calgarians to end homelessness in Calgary.



In fiscal 2016, the Calgary Homeless Foundation (CHF) undertook an extensive exploration of its focus, priorities, business goals and values, engaging the community and CHF's Board of Directors. The outcome of this process was the organization's 2015-2020 Five Year Strategic Blueprint (5YSBP), a living document that creates a shared understanding and common language around CHF's purpose, role in community, business priorities and organizational needs. CHF's 5YSBP is updated as part of annual business planning to reflect any changes in emerging trends, strategies or policies based on evidence.

As part of this process, CHF determined that repositioning its housing assets as independent of CHF would accelerate a community-based innovative and sustainable housing model to meet Calgary's urgent and increasing need for permanent supportive and affordable housing aligned with Calgary's Plan. In September, 2016 CHF launched HomeSpace Society, an existing charity originally operated by CHF, into the community to the advantage of all Calgarians. CHF transferred \$64.8 million of

affordable housing net assets into the newly independent HomeSpace Society, leveraging its housing portfolio and expertise into an entity solely dedicated to housing that will be best positioned to accelerate and deliver immediate, long-term and integrated housing solutions for specialized populations.

In fiscal 2018, as the conclusion of Calgary's Plan approached, CHF reviewed its role in community to determine what was needed in the future to build on the successes of Calgary's Plan. By making evidence-informed decisions, gained from experience and analysis of data on program performance and outcomes, CHF has been driving process and program enhancements to support agency success, foster enhanced client outcomes and improve Calgary's homeless-serving system of care (CHSSC) effectiveness. While over 9,000 people have been housed to date, helping people after they fall into homelessness does not impact the factors that cause people to become homeless.

The current fiscal climate and need for innovative solutions provides the impetus for the community to re-engage in collective impact work. Collective accountability beyond service providers with deeper partnerships between all orders of government, citizens, business, agencies and systems is needed. Systems level leadership transforms system to system relationships, such as the health, justice and social supports systems and the four orders of government in addition to the agencies comprising CHSSC.

In fiscal 2019, CHF will engage community stakeholders to commence development of its new 3 Year Strategic Blueprint (2021 – 2023) with a focus on connecting, coordinating and transforming system-to-system relationships and delivering innovation and enhancements that effectively, efficiently and sustainably meet the current and emerging needs of persons at imminent risk of, or experiencing, homelessness.

4. Performance of Fiscal 2018 Priorities

Every year, the CHF sets strategic priorities and business plan goals to align with its 5 Year Strategic Blueprint (5YSBP). In fiscal 2018, the 3rd year of the 5YSBP, CHF set three strategic directions. Key accomplishments in each of these areas include:

- i) **Influence and advance local mainstream systems integration (e.g. Housing, Social Supports, Alberta Health Services) with Calgary's Homeless Serving System of Care (CHSSC) and continue to foster community service networks, collaborations and partnerships.**
 - Initiated the Community Systems Integration (CSI) table to identify how to align and support integration among big system players (health and health services, justice, police, social supports, four orders of government, agencies)
 - Created a System Integration Framework to guide transformation of system to system relationships
 - Significant progress made in establishing relationships with Treaty 7 First Nations to further understand scope of on-reserve needs and to identify urban Indigenous program needs
 - In consultation with Indigenous community, commenced work on inserting an Indigenous lens into CHF's Request for Proposal process to be more inclusive in procurement practices
- ii) **Galvanize broad stakeholder investment and action in support of the community achieving the December 2018 targets aligned to the 3 Priorities identified in 2016 by sector leaders as vital: people first in housing first; increase housing stock; and, a high performance system of care.**

- Created flow in the homeless-serving system of care by creating 75 Graduate Housing Program spaces for people in the system that need less supports, freeing up space for higher-needs people
 - Worked closely with the shelters to house 96 chronic shelter users, some of whom had been living in shelter for many years; reducing shelter stays by close to 84,000 days and allowing these people to live nearly 6,000 days in housing
 - Shifted program funding to ensure equity and parity across all agency programs and increased agency flexibility to set and adapt program budgets, while maintaining a focus on program outcomes
 - Increased adaptability of the homeless-serving system of care by increasing funding for client-focused and client-determined adaptive case management programs, reducing the families needing housing from an average of 30 to an average of 5 - 10 families in the past year
 - Successfully advocated for and obtained program funding to support 72 of the most vulnerable people housed in three new buildings that opened in fiscal 2017 and early fiscal 2018
 - Facilitated several Communities of Learning (Harm Reduction, Managed Alcohol Program, Adaptive Case Management, Graduate Housing) to share best practices and enhance overall homeless-serving system of care performance improvement
 - Obtained 3 years of funding to support the Collaborative for Health and Home's work to improve access to health services on front lines and implement responsive approaches
 - Through community consultation, developed an Indigenous building plan and submitted federal housing grant application for Indigenous buildings
 - Submitted expressions of interest to the government of Alberta for capital and programming supports for youth, Indigenous family, Indigenous singles and high acuity buildings
 - Opened 71 new dedicated permanent supportive housing units, housed 820 people experiencing homelessness, maintained 91% housing stability rate in Calgary's homeless serving system of care and reduced systems use by 61% year over year
- iii) **Continue to develop and refine Calgary Homeless Foundation's (CHF) internal operations and capacities in order to: uphold the delivery of CHF's 5 year strategic blueprint; and, enhance CHF's proficiency as the system planner, in service to the community.**
- Relocated to a new office, enabling people and teams from various sectors, agencies and collectives to work together in a space that promotes partnerships and progress towards our collective mission of ending homelessness
 - Increased staff awareness of Indigenous issues, including the Sixties Scoop and the Truth and Reconciliation Commission Report
 - Enhanced leadership competencies and further strengthened effectiveness of the leadership team
 - Initiated development of long term Information Technology Strategy to provide better tools to manage and optimize data, knowledge and lessons learned

5. Risk Management

The CHF continues to proactively mitigate enterprise risk through an annual strategic review process; an annual budgeting and business planning process; templates for service agreements (projects and consulting); request for proposal (RFP) processes; and a tracking process for current contractual commitments.

Key areas of CHF risk are discussed below, which include the anticipated risk and mitigation strategies.

Performance Risk

Performance risk includes the risks related to strategy, program (agency) performance and the risk of a client incident within a CHF-funded program. There is a risk that Calgary's Plan and/or annual plans and investments are not effective in reducing homelessness. To address this risk, an annual review process is undertaken with the community that: evaluates progress; identifies gaps in systems; integrates new knowledge and results from system and program monitoring processes; integrates best practices; and, adjusts annual plans and investments accordingly. There is also a risk that agencies do not deliver their program commitments. The CHF continues to conduct comprehensive program monitoring and quality assurance processes, including site visits and audits.

Financial Risk

There is a risk that inadequate financial management could impact the CHF's strategy, reputation and/or liquidity. The CHF mitigates this risk through implementation of rigorous internal controls, system access restrictions, the oversight of staff, and regular financial monitoring. The CHF has a Board-approved Financial Policy which is updated regularly.

There is a risk that government funding could be significantly cut. The CHF mitigates this risk by continued strengthening of government relationships with various levels of government staff, filing all funder reports on time and adjusting budgets and plans to align with current government funding levels.

Political and Reputational Risk

There is a risk significant controversy could erode trust or public support that could result in reduced funding. The CHF believes the best protection is continued success in ending homelessness. The CHF frequently communicates with both government and the public to support continued positive media attention.

6. Governance

The Board ensures the Foundation meets all legal, financial and regulatory requirements, makes progress to achieve its goals and that the goals of the Foundation are appropriately resourced and that stakeholders are on track to reach them. The Board endeavors and acts to remove barriers or impediments and enhances engagement among community leaders. A list of the Board of Directors (fiscal 2018) can be found on the CHF website at: <http://calgaryhomeless.com/about/leadership/>.

7. Financial Results

Statement of Financial Position (as at March 31, 2018)

Cash increased by \$1.9 million to \$18.0 million in fiscal 2018 primarily due to the restricted cash held for the RESOLVE campaign and the timing of distributions of funds raised. Short-term investments increased by \$2.4 million to \$3.5 million in fiscal 2018 due to the investment of reserves in term deposits that were previously held in interest-bearing bank accounts.

Current liabilities increased by \$3.6 million to \$11.0 million in fiscal 2018 primarily due to the funds held in trust and deferred contributions arising from the RESOLVE campaign.

Statement of Operations

Donations and grants increased from \$58.3 million in fiscal 2017 to \$62.3 million in fiscal 2018 due to increased government funding and funds raised through the RESOLVE campaign. Rental revenue declined from \$1.5 million in fiscal 2017 to \$NIL in fiscal 2018, as the property held for affordable housing transferred to HomeSpace Society midway through fiscal 2017. Special events revenue was \$90,000 in fiscal 2018, due to the launch of the marquee Trailblazer fundraising event. Investment income doubled to \$0.2 million in fiscal 2018 due to higher interest rates.

Operating expenses were \$51.1 million in fiscal 2017, made up of \$49.4 million in payments to agencies, \$1.0 million in real property costs and \$645,000 in expenses contributed to RESOLVE. This compares with operating expenses of \$56.5 million in fiscal 2018, made up of \$55.7 million in payments to agencies, \$NIL in real property costs, \$54,000 in special events and \$725,000 in expenses contributed to RESOLVE. The increase in operating expenses was due to the increased RESOLVE campaign disbursements to the fundraising parties.

Administration expenses declined from \$5.7 million in fiscal 2017 to \$5.5 million in fiscal 2018. Administration expenses in fiscal 2017 were comprised of \$3.7 million in salaries, \$1.5 million in office expenses and \$0.5 million in amortization. In comparison, fiscal 2018 administration expenses were comprised of \$3.4 million in salaries and \$2.1 million in office expenses.

Excess of revenue over expenses before the conveyance was \$0.7 million as compared to \$3.1 million in fiscal 2017, a decline that is due to the increased operating expenses described above and the elimination of both rental operations and affordable housing grants as part of the conveyance of affordable housing assets to HomeSpace Society in fiscal 2017.

In fiscal 2018, excess of revenue over expenses after the conveyance was \$0.6 million, which primarily arose from operating activities. Deficiency of revenue over expenses was \$61.7 million in fiscal 2017, primarily due to a one-time expense of \$64.8 million arising from the conveyance of affordable housing net assets to HomeSpace Society, a separately registered charity with its own Board of Directors, management and office, on September 30, 2016 (the “conveyance”). This expense consisted of \$13.0 million in cash and \$58.1 million in property held for affordable housing, partially offset by a working capital deficit of \$1.7 million and \$4.6 million of mortgages and loans.

Of the \$0.3 million of funds raised for operating costs in fiscal 2018, the average gift amount was \$390. Fundraising methods for operating costs include on-line gifts, proceeds from special events, grants from foundations, solicitations to individuals, companies and community investment programs, and unsolicited gifts. As part of the RESOLVE campaign which concluded on March 31, 2018, the Calgary Homeless Foundation received \$4.8 million in fiscal 2018, which was disbursed to HomeSpace Society and has outstanding pledges of \$7.6 million at the end of fiscal 2018, which will flow to HomeSpace Society when collected.

Liquidity and Capital Resources

Investing activities used \$2.5 million in fiscal 2018, due to the purchase of \$2.4 million of term deposits and \$0.1 million of property and equipment for the new office. Investing activities used \$3.4 million in fiscal 2017, due to \$4.4 million spent to purchase affordable housing prior to the conveyance, partially offset by the sale of \$1.0 million of donated publicly traded shares.

Financing activities used \$2.2 million in fiscal 2017 due to repayment of mortgages payable. In fiscal 2018, there were no financing activities.

Calgary Homeless Foundation
Financial Statements
March 31, 2018

Independent Auditors' Report

To the Directors of
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, 2018, 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 the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 Calgary Homeless Foundation as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow Calgary LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
June 7, 2018

Calgary Homeless Foundation

(Incorporated under the laws of Alberta)

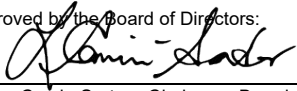
Statement of Financial Position

As at March 31, 2018

	Operating	System Programs	RESOLVE campaign	March 31, 2018 Total	March 31, 2017 Total
Assets					
Current assets					
Cash	\$ 2,630,126	\$ 8,900,685	\$ -	\$ 11,530,811	\$ 13,172,376
Restricted cash for RESOLVE campaign (note 3)	-	-	6,516,380	6,516,380	2,937,998
Short-term investments (note 5)	3,478,495	-	-	3,478,495	1,123,389
Accounts receivable	277,504	72,406	25,947	375,857	525,617
Prepaid expenses	45,054	-	-	45,054	55,819
	6,431,179	8,973,091	6,542,327	21,946,597	17,815,199
Property and equipment (note 6)	72,908	-	-	72,908	-
	<u>\$ 6,504,087</u>	<u>\$ 8,973,091</u>	<u>\$ 6,542,327</u>	<u>\$ 22,019,505</u>	<u>\$ 17,815,199</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities (notes 3 and 7)	\$ 329,302	\$ 24,705	\$ 233,592	\$ 587,599	\$ 371,941
Funds held in trust for RESOLVE campaign (note 3)	-	-	5,512,750	5,512,750	3,168,718
Deferred contributions	452,395	-	795,985	1,248,380	220,745
Approved system programs disbursements (note 8)	-	3,674,806	-	3,674,806	3,650,733
	<u>781,697</u>	<u>3,699,511</u>	<u>6,542,327</u>	<u>11,023,535</u>	<u>7,412,137</u>
Funds Balances					
Internally restricted - net investment in property and equipment	72,908	-	-	72,908	-
Externally restricted	-	5,273,580	-	5,273,580	5,114,111
Unrestricted	5,649,482	-	-	5,649,482	5,288,951
	<u>5,722,390</u>	<u>5,273,580</u>	<u>-</u>	<u>10,995,970</u>	<u>10,403,062</u>
	<u>\$ 6,504,087</u>	<u>\$ 8,973,091</u>	<u>\$ 6,542,327</u>	<u>\$ 22,019,505</u>	<u>\$ 17,815,199</u>

Commitments (notes 4 and 9)

Approved by the Board of Directors:


Luana Comin-Sartor - Chairman, Board of Directors


Les Stelmach - Chair, Audit Committee

The accompanying notes are an integral part of these financial statements.

Calgary Homeless Foundation

Statement of Operations

	Year Ended March 31, 2018			Year Ended March 31, 2017
	Operating	System Programs	Total	Total
Revenue				
Donations and grants	\$ 6,348,232	\$ 55,963,294	\$ 62,311,526	\$ 58,251,907
Rental revenue	-	-	-	1,518,463
Special events	89,863	-	89,863	-
Investment income	101,397	123,607	225,004	137,771
	<u>6,539,492</u>	<u>56,086,901</u>	<u>62,626,393</u>	<u>59,908,141</u>
Operating expenses				
System programs disbursements (note 8)	-	55,678,418	55,678,418	49,456,047
Real property costs	-	-	-	1,002,139
Special events	53,557	-	53,557	-
RESOLVE campaign (notes 3 and 11)	724,514	-	724,514	644,576
	<u>778,071</u>	<u>55,678,418</u>	<u>56,456,489</u>	<u>51,102,762</u>
Administrative expenses				
Salaries	3,231,110	150,801	3,381,911	3,682,645
Office	2,076,630	38,345	2,114,975	1,544,854
Amortization	20,242	-	20,242	489,600
	<u>5,327,982</u>	<u>189,146</u>	<u>5,517,128</u>	<u>5,717,099</u>
Total expenses	<u>6,106,053</u>	<u>55,867,564</u>	<u>61,973,617</u>	<u>56,819,861</u>
Excess of revenue over expenses before conveyance	<u>433,439</u>	<u>219,337</u>	<u>652,776</u>	<u>3,088,280</u>
Conveyance of affordable housing net assets (note 4)	-	59,868	59,868	64,761,376
Excess (deficiency) of revenue over expenses	<u>\$ 433,439</u>	<u>\$ 159,469</u>	<u>\$ 592,908</u>	<u>\$(61,673,096)</u>

The accompanying notes are an integral part of these financial statements.

Calgary Homeless Foundation
Statement of Changes in Fund Balances
Year Ended March 31, 2018

	Internally restricted - net investment in property and equipment	Internally restricted - net investment in property held for affordable housing	Internally restricted - mortgage	Externally restricted	Unrestricted	Total
Fund balances, March 31, 2016	\$ -	\$ 46,840,075	\$ 505,650	\$ 15,173,493	\$ 9,556,940	\$ 72,076,158
Excess (deficiency) of revenue over expenses before conveyance	-	(489,600)	-	2,781,821	796,059	3,088,280
Conveyance of affordable housing net assets	-	(52,997,514)	(505,650)	(6,194,164)	(5,064,048)	(64,761,376)
Purchase of assets	-	4,412,867	-	(4,412,867)	-	-
Proceeds from loans payable	-	(99,385)	-	99,385	-	-
Repayment of mortgages payable	<u>-</u>	<u>2,333,557</u>	<u>-</u>	<u>(2,333,557)</u>	<u>-</u>	<u>-</u>
Fund balances, March 31, 2017	-	-	-	5,114,111	5,288,951	10,403,062
Purchase of property and equipment	93,150	-	-	-	(93,150)	-
Excess (deficiency) revenue over expenses	<u>(20,242)</u>	<u>-</u>	<u>-</u>	<u>159,469</u>	<u>453,681</u>	<u>592,908</u>
Fund balances, March 31, 2018	<u>\$ 72,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,273,580</u>	<u>\$ 5,649,482</u>	<u>\$ 10,995,970</u>

The accompanying notes are an integral part of these financial statements.

Calgary Homeless Foundation

Statement of Cash Flows

	<u>Year Ended March 31, 2018</u>	<u>Year Ended March 31, 2017</u>
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenses	\$ 592,908	\$ (61,673,096)
Add (deduct) items not affecting cash		
Amortization	20,242	489,600
Conveyance of affordable housing net assets	<u>-</u>	<u>51,757,884</u>
	613,150	(9,425,612)
Changes in non-cash working capital	3,747,850	3,186,729
Increase in approved system programs disbursements	<u>24,073</u>	<u>280,585</u>
	<u>4,385,073</u>	<u>(5,958,298)</u>
Financing activities		
Repayments of mortgages payable	-	(2,333,557)
Proceeds from loans payable	<u>-</u>	<u>99,385</u>
	<u>-</u>	<u>(2,234,172)</u>
Investing activities		
Purchase of property for affordable housing	-	(4,412,867)
Purchase of property and equipment	(93,150)	-
Sale (Purchase) of short-term investments	<u>(2,355,106)</u>	<u>972,177</u>
	<u>(2,448,256)</u>	<u>(3,440,690)</u>
Cash inflow (outflow)	1,936,817	(11,633,160)
Cash, beginning of year	<u>16,110,374</u>	<u>27,743,534</u>
Cash, end of year	<u>\$ 18,047,191</u>	<u>\$ 16,110,374</u>
Cash is comprised of:		
Cash	\$ 11,530,811	\$ 13,172,376
Restricted cash for RESOLVE campaign	<u>6,516,380</u>	<u>2,937,998</u>
	<u>\$ 18,047,191</u>	<u>\$ 16,110,374</u>

The accompanying notes are an integral part of these financial statements.

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2018

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 Foundation's mission is to end homelessness in Calgary. The Foundation is the system planner for Calgary's Updated Plan to End Homelessness ("Calgary's Plan"). 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.

2. Significant Accounting Policies

The financial statements were prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund Accounting

The Foundation follows the restricted fund method for accounting for contributions.

The Operating Fund is an unrestricted fund that contains the assets, liabilities, revenue and expenses related to the Foundation's operating activities and special events.

The Foundation maintains the following restricted funds:

- (i) The System Programs Fund contains the assets, liabilities, revenue and expenses related to the Foundation's Homelessness initiatives, including the operation of community programs and, prior to September 30, 2016 (note 4), the acquisition of real estate property for affordable housing.
- (ii) The RESOLVE fund contains the assets and liabilities related to the Foundation's fiscal agent agreement with Calgary Collaborative Capital Campaign for Affordable Housing fund raising parties (note 3).

(b) Revenue Recognition

Restricted contributions related to a restricted fund are recognized as revenue of the appropriate restricted fund when received or when future receipt of cash is guaranteed by a funding agreement. Restricted contributions to the Operating Fund are deferred and amortized to revenue when the related expenditures are incurred. Unrestricted contributions in the Operating Fund and contributions in the System Programs Fund are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2018

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

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

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

(c) Short-Term Investments

Short-term investments are investments other than cash, and have an initial maturity in excess of three months and less than twelve months. Interest income on the investments is accrued over the term of the investment. Also included in short-term investments are donated publicly traded shares, which are sold as soon as reasonably practical.

(d) Property and Equipment

Purchased property and equipment are recorded at cost and are amortized over the estimated useful life on a straight-line basis as follows:

Computer Equipment	2 years
Software	3 years
Leasehold Improvements	Remaining term of the lease including the first renewal option

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

Property and equipment is evaluated for impairment when events or circumstances indicate its carrying value may not be recoverable. Any impairment is measured by comparing the carrying value of the assets to the fair value, based on the present value of future cash flows expected to be generated from the assets.

(e) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Amounts accrued as receivable pursuant to various funding contracts associated with the Foundation's programs are based on management's best estimates of the amounts to be received for the periods in question upon the actual finalization of the associated claims and/or contract processes.

The valuation of deferred contributions is based on management's estimate of the unspent contributions and the applicability of expenditures to meet the funding restrictions.

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2018

The valuation of approved system programs disbursements is based on management's best estimate of the disbursements to be made under existing funding agreements.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(f) Financial Instruments

Measurement

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, restricted cash for RESOLVE campaign, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, funds held in trust for RESOLVE campaign and approved system programs disbursements.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in excess of revenue over expenditures.

Transaction Costs

Financial instruments, that are subsequently measured at cost or amortized cost, are adjusted by the transaction costs and financing fees that are directly attributable to their origination, issuance or assumption.

(g) 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.

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2018

3. RESOLVE (Calgary Collaborative Capital Campaign for Affordable Housing)

During the 2012 fiscal year, the Foundation entered into an agreement with two other homeless serving charities to form the Calgary Collaborative Capital Campaign for Affordable Housing. During the 2013 fiscal year the Campaign was rebranded “RESOLVE” and six additional partners joined. The purpose of RESOLVE is to fundraise to support the acquisition (both past and future) of affordable housing to meet Calgary’s Plan goals. The Foundation acts as the fiscal agent for the campaign. The fundraising campaign concluded March 31, 2018 and pledges will be collected for up to three years after the campaign conclusion.

During the year, all partners of the RESOLVE campaign contributed \$2,476,049 (2017 - \$1,728,703) for administration of the campaign. These funds are recorded as restricted cash and funds held in trust until costs are incurred. Administration expenses incurred were \$1,932,037 (2017 - \$1,987,335). The portion related to the Foundation’s share of these expenditures of the Campaign has been shown separately as an operating expenditure of the Foundation of \$724,514 (2017 - \$644,576). The Foundation also received \$88,000 (2017 - \$100,000) as a fiscal agent fee.

The Statement of Operations includes contributions of \$12,877,431 (2017 - \$7,000,267) made to the RESOLVE Campaign as system programs revenue and total expenditures and distributions related to the RESOLVE Campaign of \$12,877,431 (2017 - \$7,644,843) as system programs disbursements related to all partners’ interest in the Campaign.

The Statement of Operations includes revenue of \$480,164 (2017 - \$1,089,242) as operating revenue representing RESOLVE distributions to the Foundation during the year.

4. Conveyance of Affordable Housing Net Assets

On September 30, 2016, the Foundation conveyed the property held for affordable housing and the associated cash, receivables, payables, mortgages, loans, deposits, tenant and grant agreements to HomeSpace Society (the “Society”), a separately registered charity with its own Board of Directors, management and office. Since the conveyance, the Society focuses on housing solutions for ending homelessness, while the Foundation continues its leadership role within Calgary’s Plan to End Homelessness, serving as the system planner for Calgary’s homeless-serving system of care. The gift to the Society resulted in an expense of \$64.8 million in 2017 consisting of the following:

Cash	\$ 13,003,492
Net working capital	(1,745,280)
Property held for affordable housing	58,135,060
Mortgages and loans	<u>(4,631,896)</u>
	<u>\$ 64,761,376</u>

The current year conveyance cost relates to residual GST amounts of \$59,868.

The Foundation remains one of the nine participating agencies in the RESOLVE campaign to fundraise capital for affordable housing. On September 30, 2016, the Foundation and the Society entered into agreements assigning the funds raised for the Foundation through the

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2018

RESOLVE campaign to the Society (the “benefits”). The agreements specify that the Society is the registered owner and trustee of the properties for which RESOLVE is fundraising (the “RESOLVE assets”). In return for transferring the benefits and the RESOLVE assets, the Foundation is the beneficial owner of the RESOLVE assets with a net book value of \$53.3 million (2017 - \$49.6 million). The beneficial ownership of the RESOLVE assets will not transfer to the Society until the last pledge is received and the obligations of the RESOLVE campaign and the associated gift agreements have expired or terminated.

5. Short-term Investments

Short-term investments consists of a redeemable term deposit of \$228,495 (2017 - \$1,123,389) bearing interest at 1.95% (2017 – 1.2%) and maturing on March 14, 2019 and a redeemable term deposit of \$3,250,000 (2017 - \$NIL) bearing interest at 1.95% (2017 – NIL) and maturing March 18, 2019.

6. Property and Equipment

	Cost	Accumulated Amortization	March 31, 2018	March 31, 2017
Computer equipment	\$ 87,313	\$ 32,677	\$ 54,636	\$ -
Leasehold improvements	20,302	2,030	18,272	-
Software	<u>273,327</u>	<u>273,327</u>	<u>-</u>	<u>-</u>
	<u>\$ 380,942</u>	<u>\$ 308,034</u>	<u>\$ 72,908</u>	<u>\$ -</u>

7. Related Party Transactions

Controlled Entity

For accounting purposes, the Foundation controls HomeSpace Society (the “Society”), as the Foundation guarantees certain liabilities of the Society (note 9) and is the beneficial owner of certain assets of the Society (note 4).

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

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

Accounts payable includes \$3,438 (2017 - \$58,711) owing to the Society related to amounts received by the Foundation on the Society's behalf.

Calgary Homeless Foundation
Notes to Financial Statements
For the Year Ended March 31, 2018

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

	2018	2017
Assets		
Current assets	\$ 18,865,918	\$ 16,120,885
Property held for affordable housing	69,404,086	64,808,342
Property and equipment	<u>4,681</u>	<u>5,304</u>
	<u>\$ 88,274,685</u>	<u>\$ 80,934,531</u>
Liabilities	<u>\$ 6,011,081</u>	<u>\$ 6,615,279</u>
Fund Balances		
Internally restricted - net investment in property and equipment	\$ 4,681	\$ 5,304
Internally restricted - net investment in property held for affordable housing	76,222,882	69,217,799
Internally restricted – capital reserve fund for building maintenance	3,701,569	3,585,319
Unrestricted	<u>2,334,472</u>	<u>1,510,830</u>
	<u>82,263,604</u>	<u>74,319,252</u>
	<u>\$ 88,274,685</u>	<u>\$ 80,934,531</u>
 Revenue	 \$ 13,174,650	 \$ 7,195,135
Revenue - conveyance of affordable housing net assets	-	64,761,376
Expenses	<u>(5,238,051)</u>	<u>(2,115,264)</u>
Excess of revenue over expenses	<u>\$ 7,944,352</u>	<u>\$ 69,841,247</u>
Cash provided from operating activities	<u>\$ 9,261,213</u>	<u>\$ 18,328,145</u>
Cash used in financing activities	<u>\$ (333,229)</u>	<u>\$ (137,402)</u>
Cash outflow from investing activities	<u>\$ (5,873,939)</u>	<u>\$ (3,460,375)</u>

All related party transactions are recorded at the exchange amount, which is the amount agreed upon by the parties.

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2018

8. Approved system programs disbursements

The Foundation has entered into contracts with various service agencies towards ending homelessness in Calgary by delivering system programs funds of \$3,674,806 (2017 - \$3,650,733) over the next fiscal year.

Terms of these agreements include a 30-day notification of cancellation of contracts. Only amounts representing the cancellation period have been accrued on the financial statements as at March 31, 2018.

9. Commitments and Contingencies

The Foundation has entered into a lease agreement for \$1 with the Government of Alberta for office space which expires on March 31, 2020.

The Foundation has a lease for office space requiring the Foundation to pay monthly expenses of \$20,849 (2017 - \$6,331). The lease expires on June 29, 2023.

As a result of the Foundation's beneficial ownership of the RESOLVE assets (Note 4):

- (a) The Foundation guarantees the Society's mortgages on the RESOLVE assets totaling \$3.8 million, with maturity dates ranging from May 1, 2018 to December 1, 2022, a current portion of \$163,829, interest rates ranging from 2.54% to 3.25%, secured by assets with a net book value of \$15.3 million.
- (b) The Foundation guarantees the Society's \$5 million evergreen line of credit facility to finance land purchases, bearing interest at 2.06%, of which \$NIL has been drawn as of March 31, 2018.

10. Financial Instruments

The Foundation is exposed to the following significant financial risks:

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation does not have a concentration of credit exposure with any one party. The Foundation does not consider itself exposed to undue credit risk.

The Foundation is exposed to credit risk relating to cash and short-term investments. The risk is mitigated as cash and short-term investments are deposited with major Canadian financial institutions.

The Foundation is exposed to credit risk relating to accounts receivable, which is influenced by the individual characteristics of each debtor. The majority of the accounts receivable are from donors and government agencies. The Foundation limits its exposure to credit risks by dealing with only credit worthy organizations. Management does not expect any debtor to fail in meeting their obligations.

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2018

(b) Liquidity Risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation manages its liquidity risk through cash and debt management.

(c) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. 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 sale does not materially differ from the price on transfer.

11. Statutory Disclosures

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

	Total CHF	Total CHF Share of RESOLVE
Amounts paid as remuneration to employees whose principal duties involve fundraising	\$ 161,098	\$ 504,779
Direct expenses incurred for the purposes of soliciting contributions	<u>18,643</u>	<u>219,735</u>
	<u>\$ 179,741</u>	<u>\$ 724,514</u>

12. Comparative Amounts

Certain amounts have been reclassified to conform to the current year's presentation.