

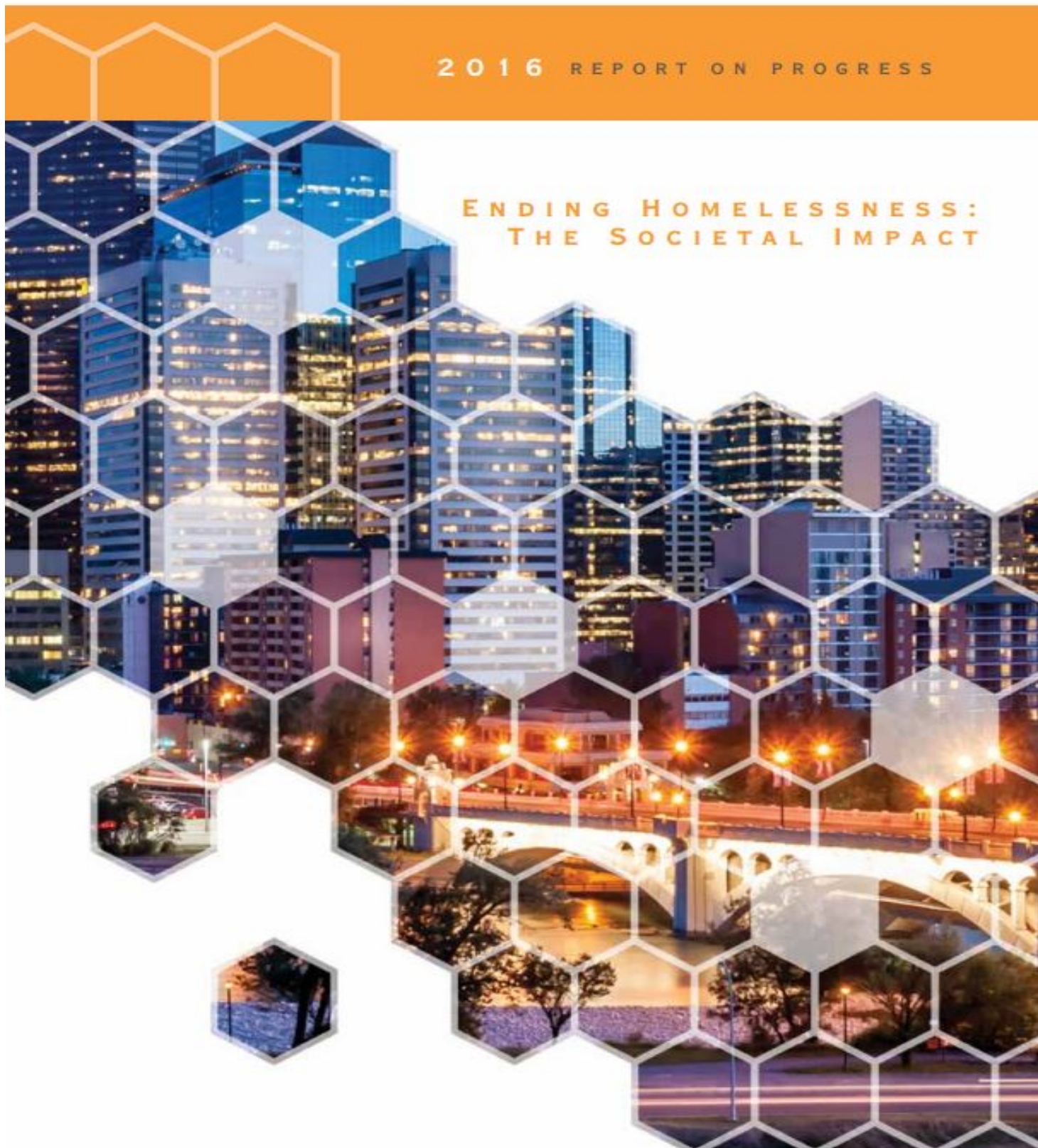
Management's Discussion & Analysis
and Financial Statements



March 31, 2016

2016 REPORT ON PROGRESS

ENDING HOMELESSNESS:
THE SOCIETAL IMPACT



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.

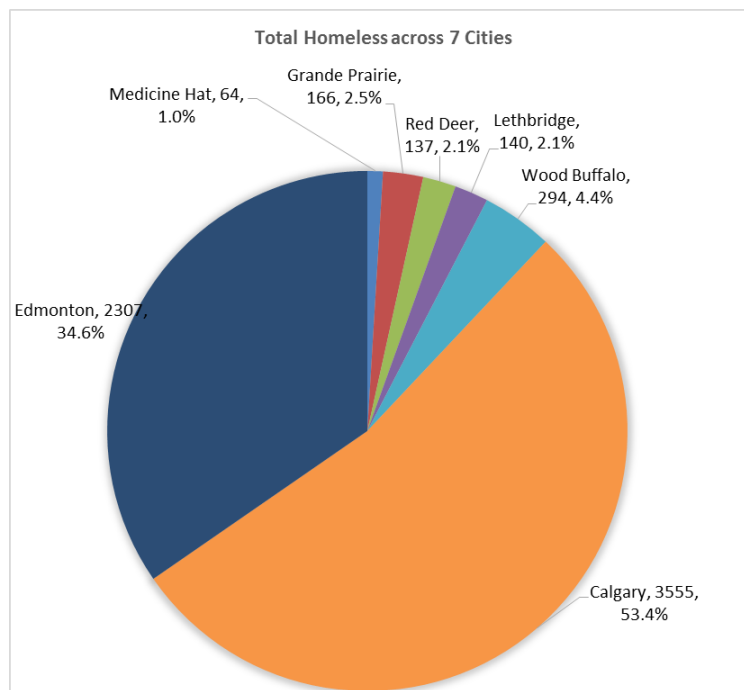
Please note the period April 1, 2014 to March 31, 2015 is referred to as fiscal 2015, the period April 1, 2015 to March 31, 2016 is referred to as fiscal 2016 and the period April 1, 2016 to March 31, 2017 is referred to as fiscal 2017.

A. Environment

Homelessness in Alberta and in Calgary

The Point in Time Count is a bi-annual activity that provides one lens from which to increase understanding of the state of homelessness. The last province-wide count was in November 2014 and the next province-wide count is scheduled for fall of 2016. At the time of the count, homelessness in Alberta had decreased by 14% across the province since homeless-ending plans were implemented; Calgary recorded 53% of all homeless people enumerated; and, the growth of homelessness in Calgary had been halted as represented by a relatively steady count of approximately 3,555 persons. This represented a 15% decrease in homelessness per 100,000 people in the city of Calgary. The numbers were as follows:

| Calgary Homeless Numbers | Winter 2014 | % of Total |
|-------------------------------|-------------|------------|
| Total number homeless people | 3,555 | 100% |
| Emergency shelter numbers | 1,766 | 49.7% |
| Short-term supportive housing | 1,292 | 36.3% |
| Systems | 315 | 8.9% |
| Rough sleeping | 182 | 5.1% |



External events and trend impacting homelessness since the last count are:

- The 2015-2016 dramatic drop in oil prices has had a significant economic impact on the province of Alberta and more specifically, in the city of Calgary. Mass employee lay-offs in the energy sector influenced an increase in rental vacancies and a resetting of market rental rates, although not yet at a level to support affordability for the at-risk or vulnerable population. The long-term outlook for energy sector recovery is uncertain.
- A change in provincial and federal governments; impending expiration of federal social housing contracts; as well as recognition of the magnitude of neglected on reserve, off reserve, municipal, provincial and federal social housing stock; has elevated awareness of a housing crisis to all orders of government.
- Short and long term impacts of multiple federal and provincial policy changes have yet to be determined.
- The federal government budget announcement of increased investment in affordable housing, ongoing social housing and the promise of a national housing strategy are encouraging developments towards mission attainment. Similarly, provincial government budget commitments to invest significant capital into affordable housing and seniors housing are promising.

Continued due diligence, perseverance and advocacy for strategic investment in housing and concurrent investment in program support services with a renewed commitment to Housing First as a community response to homelessness is nonetheless warranted.

B. Organization and Leadership

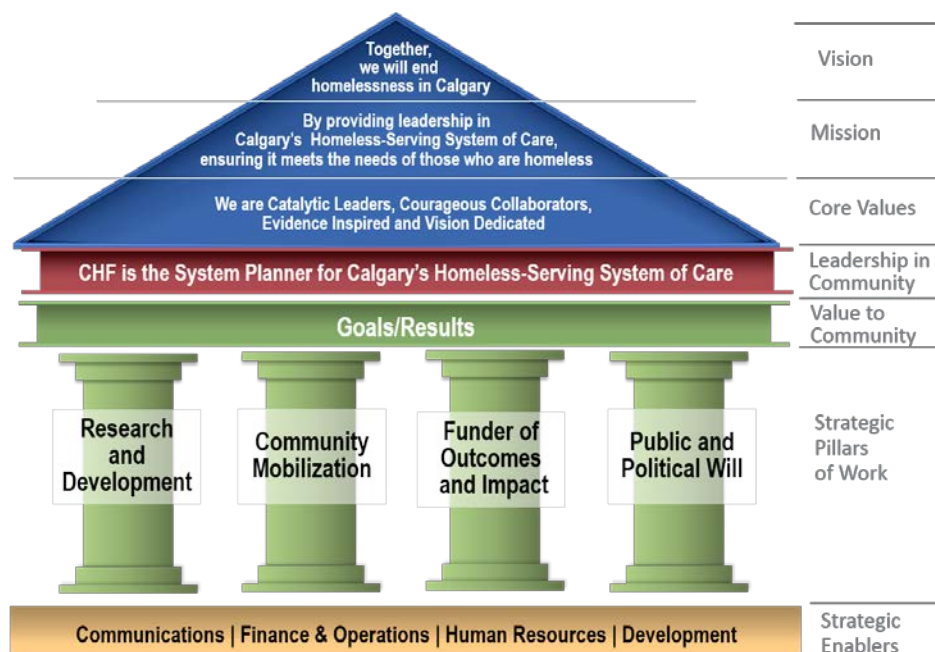
The CHF is structured into three primary areas: Strategy, Operations, and Housing. Housing oversees both asset management of existing properties and acquisition and development of new properties. As at March 31, 2016, there were 41 employees. The leadership team can be found on the CHF website at:

<http://calgaryhomeless.com/who-we-are/leadership/>

C. Strategy

Throughout the 2016 fiscal year, the Calgary Homeless Foundation (CHF) undertook an extensive exploration of its 5 year focus, priorities, business goals and values. The outcome of this process is 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. In the development of the CHF 5YSBP, CHF engaged with community to clarify the role of CHF in the context of Calgary's Plan to End Homelessness (Calgary's Plan), Calgary's Homeless-Serving System of Care and the needs of the Calgary community over the next 5 years. The CHF Board of Directors were involved, thus ensuring leadership alignment between governance and management with respect to the 5YSBP recommendations and corresponding accountabilities. CHF's 5YSBP is intended to be responsive to current and emerging trends and will be updated as part of the annual Business Planning Process to reflect any changes in strategies or policies based on evidence.

The CHF 5YSBP provides enhanced clarity of CHF's role in community through the use of an "Our House" framework:



CHF, through its leadership role as the System Planner for Calgary's Homeless-Serving System of Care, strives to ensure that the needs of those who are homeless are met.

In fiscal 2016, CHF determined that repositioning its housing assets as independent of CHF will 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 the fall of 2016, CHF will reposition the Calgary Community Land Trust Society (CCLT), an existing charity operated by CHF, into the community to the advantage of all Calgarians. By transferring CHF's more than \$50 million of capital assets into a newly independent CCLT, CHF will leverage 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. Further, this will reduce the confusion currently arising from CHF's roles of funder, system planner and landlord and remove CHF from competition for capital funds.

CHF continues to contribute leadership to Calgary's Plan as the System Planner for Calgary's Homeless-Serving System of Care and in the provision of backbone services supporting the community's progress towards and achievement of key deliverables outlined in Calgary's Plan. By making evidence-informed decisions, gained from experience and analysis of data on program performance and outcomes, CHF drives process and program enhancements to support agency success, foster enhanced client outcomes and improve system effectiveness.

The current fiscal climate of restraint, milieu of uncertainty, and provincial government leadership espousing the need for innovative solutions within fiscal realities, provides the impetus and the opportunity for community to re-engage in collective impact work. Collective understanding, accountability and action on agreed-upon priorities and realistic targets to be achieved by the end of 2018 is critical to community success. In parallel, work continues on increasing investment in Calgary's Plan, enhancing the system of care for sustainability, collective accountability beyond service providers, and major movement toward large scale social change leading to improved and realigned investment, policy platforms and deeper partnerships between all orders of government, citizens, agencies and business.

D. Performance of Fiscal 2016 Priorities

Every year, the CHF sets strategic priorities and business plan goals aligned with Calgary's Plan to End Homelessness. Below are CHF's achievements against the strategic priorities set for fiscal 2016.

| 1. SCALE UP SYSTEM OF CARE TO MEET THE NEEDS AND PRIORITIES OF CALGARY'S HOMELESS-SERVING SECTOR: <i>The impact is a more streamlined and integrated system of care to better assess individual and family needs and provide multiple access points for housing and supports.</i> | | |
|--|-----------------------|---|
| | Fiscal 2016 Status | Comments |
| a) Increase capacity of system spaces for youth and single adults to meet identified needs | ✓ | <ul style="list-style-type: none"> Increased funding for youth and won service contract for 25 new permanent supportive housing spaces. |
| b) Address unique and pressing needs for additional family housing supports to ease pressure on family emergency shelters | ✓ | <ul style="list-style-type: none"> 20 families housed with permanent housing solutions with new fee-for-service model. Added 4 family permanent supportive housing units. |
| c) Identify and implement programming and processes to address Indigenous people's unique needs within the system of care | Ongoing Collaboration | <ul style="list-style-type: none"> Working on Indigenous Strategy, including consulting Indigenous agency staff, as part of the Calgary Poverty Reduction Initiative (Enough for All). |

| 2. IMPLEMENT PLANS TO ADDRESS GAPS IN THE SYSTEM: <i>The impact is the creation of a more integrated and harmonized system of care that is inclusive of systems and agencies working within and outside the homeless serving sector.</i> | | |
|--|-----------------------|--|
| | Fiscal 2016 Status | Comments |
| a) Map health care system to identify strategic partnerships to develop and enhance meaningful discharge plans from health and justice systems | Ongoing | <ul style="list-style-type: none"> Drafted health care system map for ongoing use in engaging and collaborating with the stakeholders. |
| b) Work with community to develop and finalize strategy to create managed alcohol treatment program/facility | Ongoing Collaboration | <ul style="list-style-type: none"> Actively participating in the Managed Alcohol Program Working Group led by the U of C and CUPS, to provide recommendations for programs. Actively participating with Recovery Task Force. |
| c) Work with community to implement recommendations of the Ending Family Homelessness Action Panel | Ongoing Collaboration | <ul style="list-style-type: none"> Piloted a fee-for-service funding model resulting in a more flexible client need-based funding method. |
| d) Implement Community Research Agenda and Policy Agenda as established by community at Research Symposium | ✓ | <ul style="list-style-type: none"> Hosted a Research Colloquium in May of 2016 in partnership with U of C School of Public Policy with attendees from across Canada. |

| 3. ALIGN SYSTEM AND PROGRAM OUTCOMES: <i>The impact is more comprehensive, responsive and effective service provision.</i> | | |
|--|-----------------------|--|
| | Fiscal 2016 Status | Comments |
| a) Refine with community partners, KPIs (Key Performance Indicators) for all programs | ✓ | <ul style="list-style-type: none"> Completed community consultation. Implemented test pilot in April 2016. |
| b) Design and implement system and collective impact KPIs | ✓ | <ul style="list-style-type: none"> Developed system Key Performance Indicators (KPIs) and Internal and External Dashboards. |
| c) Establish communities of practice amongst peer programs to promote program fidelity and best practice mentoring | Ongoing Collaboration | <ul style="list-style-type: none"> Engaged with several Communities of Learning. |
| d) Examine alignment between funding model and outcomes to ensure maximal relationship between funding incentives and outcomes | Ongoing | <ul style="list-style-type: none"> Launched fee-for-service pilot in family sector as test case for new funding models. |

| 4. IDENTIFY AND OBTAIN FUNDING FROM A BROADER RANGE OF SOURCES WITHIN AND OUTSIDE OF GOVERNMENT: <i>The impact is greater community engagement in responsibility of ending homelessness through financial supports toward desired outcomes.</i> | | |
|---|--------------------|---|
| | Fiscal 2016 Status | Comments |
| a) Advocate with Federal, Provincial and Municipal governments on behalf of the sector for additional programming and housing funding to align with implementation needs of Calgary's Plan | Ongoing | <ul style="list-style-type: none"> Ongoing meetings at several provincial ministries. Submitted shovel-ready capital funding proposal to the province and assessment proposal to the federal government for homeless veterans' needs. City of Calgary exempted development fees and implemented priority status for affordable housing projects, fulfilling two goals of Calgary's Plan. |
| b) Enhance fundraising for CHF housing and new capital investments (RESOLVE Campaign) | Ongoing | <ul style="list-style-type: none"> Identifying new opportunities for RESOLVE Campaign. Raised \$3.4 million to pay off or reduce 3 mortgages. |
| c) Develop and implement internal fundraising capacity for operations and support for donor relationships | ✓ | <ul style="list-style-type: none"> Implemented a Development Advisory Committee of the Board of Directors and community volunteers. Received community support from initiatives such as a private housewarming party and partnerships with clubs. |

| 5. STRENGTHEN AND ENHANCE ORGANIZATIONAL SUPPORT FOR THE SECTOR: <i>The impact is enhancing our value as a backbone organization for Calgary's Plan and deepening of our value and relationships within the sector.</i> | | |
|---|--------------------|---|
| | Fiscal 2016 Status | Comments |
| a) Strengthen leadership position with Government of Alberta and other levels of government | Ongoing | <ul style="list-style-type: none"> Ongoing meetings with representatives of Provincial, Municipal and Federal governments. CHF recognized as System Planner, sector and opinion leader by province as evidenced by increased mentions in Alberta Hansard and MLA support of Motion 501. |
| b) Enhance staff capacity to support community development (system planning, housing procurement, training) activities | ✓ | <ul style="list-style-type: none"> Reorganized Strategy Team and completed hiring in Strategy, Housing Procurement and Finance areas. |
| c) Strengthen the CHF brand and leadership role as a sector advocate | ✓ | <ul style="list-style-type: none"> Led community events to raise awareness and profile. Launched the Calgary Community Dashboard and rolled out CHF's new vision to community. Presented at multiple sector-related conferences. |
| d) Strengthen our human resources practices to support team effectiveness to deliver outcomes | ✓ | <ul style="list-style-type: none"> Launched first annual employee engagement survey. Strengthened HR recruiting and retention practices resulting in significant turnover decline in 4th quarter. |
| e) Continue to refine organizational practices making us a lighter touch agency with added efficiencies | ✓ | <ul style="list-style-type: none"> Streamlined contract renewal process and incorporated modifications based on community consultation. Introduced performance goals benchmarked to peer averages. |
| f) Coordinate activities between various "plans" such as Enough For All, Affordable Housing Working Group, Plan to End Homelessness | Ongoing | <ul style="list-style-type: none"> Overlaid Enough for All poverty reduction strategy with Calgary Plan and collaborated to eliminate duplication. Enough for All (Vibrant Communities Calgary) endorsed Community Housing Affordability Collective (CHAC) work. |
| g) Recruit Council to End Homelessness | ✓ | <ul style="list-style-type: none"> Terms of Reference created, role clarity established, Council members recruited and first meeting convened. |

| 6. IMPROVE QUALITY OF HOMELESS MANAGEMENT INFORMATION SYSTEM (HMIS) DATA AND INCREASE SCOPE OF SHELTER DATA ANALYSIS: <i>The impact is greater capacity to respond to emerging trends within the sector.</i> | | |
|--|--------------------|---|
| | Fiscal 2016 Status | Comments |
| a) Maintain data quality | ✓ | <ul style="list-style-type: none"> Achieved data quality of 91% in last half of year. |
| b) Advance expertise within HMIS systems in data & reporting capacity | ✓ | <ul style="list-style-type: none"> Advanced reports and understanding of data extractions. |
| c) Improve information sharing features between programs within HMIS | ✓ | <ul style="list-style-type: none"> Data informed targets for 5 Year Strategic Blueprint. |

| 7. INFLUENCE THE COMMUNITY STRATEGY TO ACHIEVE THE HOUSING PRIORITY DIRECTIONS OF UPDATED (March 2015) CALGARY'S PLAN TO END HOMELESSNESS: <i>The impact is a more integrated housing strategy that embeds needs of the homeless serving sector with the broader building/ rental market community and enhances advocates for policy change.</i> | | |
|--|--------------------|---|
| | Fiscal 2016 Status | Comments |
| a) Work with community to implement housing location strategy for scattered site housing | ✓ | <ul style="list-style-type: none"> Completed Scattered Site Housing Strategy Report. |

| 7. INFLUENCE THE COMMUNITY STRATEGY TO ACHIEVE THE HOUSING PRIORITY DIRECTIONS OF UPDATED (March 2015) CALGARY'S PLAN TO END HOMELESSNESS: <i>The impact is a more integrated housing strategy that embeds needs of the homeless serving sector with the broader building/ rental market community and enhances advocates for policy change.</i> | | |
|--|-----------------------|---|
| | Fiscal 2016 Status | Comments |
| b) Develop and implement government relations strategy to support the achievement of priority directions in Calgary's Plan | ✓ | <ul style="list-style-type: none"> Strategy completed and implemented See 4 (a) and 5(a) for fiscal 2016 impacts |
| c) Work with community toward achieving Calgary's Community Affordable Housing Strategy | Ongoing Collaboration | <ul style="list-style-type: none"> Community Housing Affordability Collective (CHAC) endorsed by City Council and community organizations. City of Calgary Corporate Affordable Housing Strategy in progress (due in June 2016 to Council). |
| d) Influence and support the development of affordable housing through community partners, as identified in the updated Plan | Ongoing Collaboration | <ul style="list-style-type: none"> Supported community-led conversations about Non-Market Housing Strategy and provided ongoing support. |

| 8. BRING AFFORDABLE AND PERMANENT SUPPORTIVE HOUSING (PSH) ON-STREAM: <i>The impact is increased capacity within the system of care to respond to client needs and fulfill on Key Actions outlined in Calgary's Plan.</i> | | |
|---|--------------------|---|
| | Fiscal 2016 Status | Comments |
| a) Deliver the new CHF permanent supportive housing units to reach the goals of Calgary's Plan (Stepping Stone, Aurora, Providence House, Radisson Heights, South Calgary) | ✓ | <ul style="list-style-type: none"> Stepping Stone completed and operational in July 2016. Providence House and Aurora completing fall 2016. Development permits in place for Radisson Heights and South Calgary. Community consultation underway for 1 more site. |
| b) Continue to refine and improve housing asset and property management functions and agency partnerships | ✓ | <ul style="list-style-type: none"> Streamlined communication and collaboration with agencies to reduce vacancies. |
| c) Develop a new business model for CHF housing assets that maximize the value of the portfolio and leverage affordable and permanent supportive housing opportunities in Calgary | ✓ | <ul style="list-style-type: none"> Developed plan to reposition Housing portfolio as an independent entity in community, providing integrated housing solutions for specialized populations. Negotiations underway to obtain seed funding. |

E. Risk Management

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

Key areas of CHF risk discussed below including the anticipated risk along with mitigation strategies.

1. 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 the Plan and/or annual plans and investments are not effective in reducing homelessness. To address this risk, an annual strategy 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.

2. 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 and adjusts budgets and plans to align with current government funding levels.

3. Political and Reputational Risk

There is a risk significant controversy eroding trust or public support 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.

4. Property Risk

There is a risk a major incident could occur at a CHF-owned property, causing property damage, death or injury either at the facility or in the neighbourhood. Risk is managed through partnering with agencies for onsite support; consistent operating policies; annual program reviews; ongoing monitoring; and, quality assurance reviews.

F. Governance

The Board ensures the Foundation meets all legal, financial and regulatory requirements, makes progress to achieve its goals and that the goals of Calgary's Plan 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 2016) can be found on the CHF website at: <http://calgaryhomeless.com/who-we-are/leadership/>.

G. Financial Results

A detailed discussion and analysis of operations for the Foundation is below.

1. Statement of Financial Position (as at March 31, 2016)

Cash of \$25.9 million in fiscal 2015 increased to \$27.7 million in fiscal 2016 due to significant capital construction donations. Deposits in trust for real estate acquisitions increased from \$NIL in fiscal 2015 to \$70,000 in fiscal 2016 as a result of two property transactions in progress in late fiscal 2016. Property held for affordable housing also increased from \$47.9 million in fiscal 2015 to \$54.3 million in fiscal 2016 due to \$7.3 million of costs for three permanent supportive housing properties in progress, offset by annual amortization of \$0.9 million.

Mortgages on properties were \$7.0 million (including internally held debt of \$505,650) at March 31, 2016, compared with \$9.8 million at March 31, 2015 due to scheduled principal repayments and donations

received for reduction of mortgage principal. Loans payable increased from \$0.2 million in fiscal 2015 to \$0.5 million in fiscal 2016.

2. Statement of Operations

Donations and grants rose to \$68.3 million in fiscal 2016, compared with \$66.3 million in fiscal 2015. The \$2.0 million increase in fiscal 2016 was largely due to the receipt of RESOLVE campaign donations designated to CHF for purchase of affordable housing and repayment of mortgages. Rental revenue of \$2.7 million was generated in fiscal 2016, compared with \$2.6 million in fiscal 2015. The Foundation operated the equivalent of 368 affordable housing units in fiscal 2016, which is 4 additional units over the previous year. In fiscal 2016, special events income was \$57,000, compared with \$201,000 in fiscal 2015, due to lower ticket sales and sponsorships. Investment income was \$0.2 million in fiscal 2016, compared with \$0.3 million in fiscal 2015.

Operating expense was \$51.8 million in fiscal 2016, made up of \$49.1 million in payments to agencies, \$1.8 million in real property costs, \$46,000 in special events and \$857,000 in expenses contributed to RESOLVE. This compares with operating expenses of \$55.3 million in fiscal 2015, made up of \$53.4 million in payments to agencies, \$1.1 million in real property costs, \$32,000 in special events and \$797,000 in expenses contributed to RESOLVE. The decrease in operating expenses were primarily due to provincial funding cuts in fiscal 2016 resulting in \$2.8 million in reduced agency expenses.

Administration expenses were \$5.7 million in fiscal 2016, compared with \$6.7 million in fiscal 2015. Administration expenses in fiscal 2016 were made up of \$3.7 million in salaries, \$1.1 million in office expenses and \$0.9 million in amortization. In comparison, fiscal 2015 administration expenses were made up of \$3.9 million in salaries, \$1.9 million in office expenses and \$0.9 million in amortization.

Net surplus was \$13.7 million in fiscal 2016, compared with \$7.5 million in fiscal 2015. The surplus primarily arises from the receipt of donor and government funds received for construction and purchase of affordable housing. This surplus is spent on affordable housing assets to serve the community.

Of the \$0.5 million of funds raised for operating costs in fiscal 2016, the average gift was about \$852. Fundraising methods for operating costs include on-line gifts, proceeds from special events, grants from Foundations, solicitations to individuals, companies and community investment programs, specifically-defined grants available to eligible non-profit organizations through the Government of Alberta and unsolicited gifts. The CHF also receives gifts-in-kind, primarily to support building projects in the affordable housing portfolio. As part of the RESOLVE campaign, the Calgary Homeless Foundation received \$8.7 million in fiscal 2016 and has outstanding pledges of \$11.5 million at the end of fiscal 2016. Fundraising methods for these gifts are primarily cultivation of major gifts from individuals or companies in the community.

3. Liquidity and Capital Resources

Investing activities used \$8.3 million in fiscal 2016, primarily due to \$7.3 million spent to purchase affordable housing and a donation of \$1.0 million of publicly traded shares received at the end of the year. A list of the affordable housing properties can be found on the CHF website at <http://calgaryhomeless.com/wp-content/uploads/CHF-2015-Housing-Portfolio.pdf>. Investing activities used \$3.7 million in fiscal 2015, primarily due to \$3.6 million spent to purchase affordable housing.

Financing activities used \$2.5 million in fiscal 2016, compared with \$0.4 million generated in fiscal 2015. This was due to repayment of \$2.8 million of mortgages payable, offset by \$0.3 million proceeds for a new forgivable loan payable. In fiscal 2015, there was \$1.1 million of proceeds, offset by \$0.7 million of repayments of mortgages payable.

Subsequent to year end, CHF received a commitment letter from ATB Financial to fund a \$5 million line of credit facility for the purchase of affordable housing, replacing the current facility which expired on May 31, 2016.

Calgary Homeless Foundation
Financial Statements
March 31, 2016

Independent Auditors' Report

To the Directors
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, 2016, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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, 2016, 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 9, 2016

Calgary Homeless Foundation

(Incorporated under the laws of Alberta)

Statement of Financial Position

As at March 31, 2016

| | Operating | Project | RESOLVE campaign | March 31, 2016 Total | March 31, 2015 Total |
|---|----------------------|----------------------|---------------------|-------------------------|-------------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash | \$ 9,931,652 | \$ 15,777,819 | \$ - | \$ 25,709,471 | \$ 22,625,757 |
| Restricted cash for RESOLVE campaign (note 3) | - | - | 2,034,063 | 2,034,063 | 3,324,295 |
| Short-term investments (note 4) | 1,110,066 | - | 985,500 | 2,095,566 | 1,098,430 |
| Accounts receivable (note 9(b)) | - | 3,407,039 | 1,337,185 | 4,744,224 | 3,861,234 |
| Prepaid expenses | 83,742 | - | - | 83,742 | 89,442 |
| Deposits in trust for real estate acquisitions | - | 70,000 | - | 70,000 | - |
| | 11,125,460 | 19,254,858 | 4,356,748 | 34,737,066 | 30,999,158 |
| Property held for affordable housing (note 5) | - | 54,309,293 | - | 54,309,293 | 47,874,551 |
| Property and equipment (note 6) | - | - | - | - | 16,940 |
| | <u>\$ 11,125,460</u> | <u>\$ 73,564,151</u> | <u>\$ 4,356,748</u> | <u>\$ 89,046,359</u> | <u>\$ 78,890,649</u> |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 1,256,786 | \$ 503,466 | \$ - | \$ 1,760,252 | \$ 350,037 |
| Accounts payable for RESOLVE campaign (note 3) | - | - | 147,873 | 147,873 | 254,007 |
| Funds held in trust for RESOLVE campaign (note 3) | - | - | 4,033,051 | 4,033,051 | 3,070,288 |
| Deferred contributions | 311,734 | - | 175,824 | 487,558 | 4,043,054 |
| Current portion of mortgages payable (note 7) | - | 5,681,220 | - | 5,681,220 | 3,829,767 |
| Current portion of loan payable (note 8) | - | 195,000 | - | 195,000 | - |
| Approved project disbursements (note 10) | - | 3,370,148 | - | 3,370,148 | 3,100,000 |
| | 1,568,520 | 9,749,834 | 4,356,748 | 15,675,102 | 14,647,153 |
| Tenant deposits | - | 207,751 | - | 207,751 | 199,325 |
| Mortgages payable (note 7) | - | 786,325 | - | 786,325 | 5,437,135 |
| Loan payable (note 8) | - | 301,023 | - | 301,023 | 230,114 |
| | <u>1,568,520</u> | <u>11,044,933</u> | <u>4,356,748</u> | <u>16,970,201</u> | <u>20,513,727</u> |
| Funds Balances | | | | | |
| Internally restricted - net investment in property and equipment | - | - | - | - | 16,940 |
| Internally restricted - net investment in property held for affordable housing | - | 46,840,075 | - | 46,840,075 | 37,871,885 |
| Internally restricted - mortgage | - | 505,650 | - | 505,650 | 505,650 |
| Externally restricted | - | 15,173,493 | - | 15,173,493 | 11,884,476 |
| Unrestricted | 9,556,940 | - | - | 9,556,940 | 8,097,971 |
| | <u>9,556,940</u> | <u>62,519,218</u> | <u>-</u> | <u>72,076,158</u> | <u>58,376,922</u> |
| | <u>\$ 11,125,460</u> | <u>\$ 73,564,151</u> | <u>\$ 4,356,748</u> | <u>\$ 89,046,359</u> | <u>\$ 78,890,649</u> |

Commitments (note 11)
Subsequent events (note 12)

Approved by the Board of Directors:

Cameron Bailey - Chairman, Board of Directors

Luana Comin-Sartor - Chair, Audit Committee

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

Calgary Homeless Foundation

Statement of Operations

| | Year Ended March 31, 2016 | | | Year Ended March 31, 2015 |
|-----------------------------------|---------------------------|----------------------|----------------------|------------------------------|
| | Operating | Project | Total | Total |
| Revenue | | | | |
| Donations and grants (note 9(a)) | \$ 5,374,604 | \$ 62,881,794 | \$ 68,256,398 | \$ 66,292,697 |
| Rental revenue | 2,691,834 | - | 2,691,834 | 2,621,055 |
| Special events | 57,243 | - | 57,243 | 201,150 |
| Investment income | <u>82,852</u> | <u>92,043</u> | <u>174,895</u> | <u>293,257</u> |
| | <u>8,206,533</u> | <u>62,973,837</u> | <u>71,180,370</u> | <u>69,408,159</u> |
| Operating expenses | | | | |
| Project disbursements (note 10) | - | 49,073,310 | 49,073,310 | 53,362,000 |
| Real property costs | 1,014,094 | 774,851 | 1,788,945 | 1,103,876 |
| Special events | 45,542 | - | 45,542 | 31,892 |
| RESOLVE campaign (notes 3 and 13) | <u>857,405</u> | <u>-</u> | <u>857,405</u> | <u>797,109</u> |
| | <u>1,917,041</u> | <u>49,848,161</u> | <u>51,765,202</u> | <u>55,294,877</u> |
| Administrative expenses | | | | |
| Salaries | 3,764,703 | - | 3,764,703 | 3,928,532 |
| Office (note 9(a)) | 1,065,820 | - | 1,065,820 | 1,837,703 |
| Amortization | <u>16,940</u> | <u>868,469</u> | <u>885,409</u> | <u>891,921</u> |
| | <u>4,847,463</u> | <u>868,469</u> | <u>5,715,932</u> | <u>6,658,156</u> |
| Total expenses | <u>6,764,504</u> | <u>50,716,630</u> | <u>57,481,134</u> | <u>61,953,033</u> |
| Excess revenue over expenses | <u>\$ 1,442,029</u> | <u>\$ 12,257,207</u> | <u>\$ 13,699,236</u> | <u>\$ 7,455,126</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, 2016

| | 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, 2014 | \$ 35,953 | \$ 35,461,249 | \$ 505,650 | \$ 8,781,537 | \$ 6,137,407 | \$ 50,921,796 |
| Excess (deficiency) revenue over expenses | (27,047) | (864,874) | - | 6,378,449 | 1,968,598 | 7,455,126 |
| Purchase of property and equipment | 8,034 | - | - | - | (8,034) | - |
| Purchase of property held for affordable housing | - | 3,636,497 | - | (3,636,497) | - | - |
| Proceeds from mortgages and loans payable, net | - | (360,987) | - | 360,987 | - | - |
| Fund balances, March 31, 2015 | 16,940 | 37,871,885 | 505,650 | 11,884,476 | 8,097,971 | 58,376,922 |
| Excess (deficiency) revenue over expenses | (16,940) | (868,469) | - | 13,125,676 | 1,458,969 | 13,699,236 |
| Purchase of property held for affordable housing | - | 7,303,211 | - | (7,303,211) | - | - |
| Repayments of mortgages and loans payable, net | - | 2,533,448 | - | (2,533,448) | - | - |
| Fund balances, March 31, 2016 | <u>\$ -</u> | <u>\$ 46,840,075</u> | <u>\$ 505,650</u> | <u>\$ 15,173,493</u> | <u>\$ 9,556,940</u> | <u>\$ 72,076,158</u> |

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

Calgary Homeless Foundation

Statement of Cash Flows

| | <u>Year Ended March 31, 2016</u> | <u>Year Ended March 31, 2015</u> |
|---|--------------------------------------|--------------------------------------|
| Cash provided by (used in): | | |
| Operating activities | | |
| Excess of revenue over expenses | \$ 13,699,236 | \$ 7,455,126 |
| Add (deduct) items not affecting cash | | |
| Amortization | 885,409 | 891,921 |
| Forgiveness of loan payable (note 8) | <u>(34,091)</u> | <u>(34,005)</u> |
| | 14,550,554 | 8,313,042 |
| Changes in non-cash working capital | (2,235,942) | 4,319,453 |
| Increase in tenant deposits | 8,426 | - |
| Increase (decrease) in approved project disbursements | <u>270,148</u> | <u>(5,487,840)</u> |
| | <u>12,593,186</u> | <u>7,144,655</u> |
| Financing activities | | |
| Proceeds from mortgages payable | - | 1,087,800 |
| Repayments of mortgages payable | (2,799,357) | (692,808) |
| Proceeds from loans payable | <u>300,000</u> | <u>-</u> |
| | <u>(2,499,357)</u> | <u>394,992</u> |
| Investing activities | | |
| Purchase of property and equipment | - | (8,034) |
| Purchase of property for affordable housing | (7,303,211) | (3,636,497) |
| Net change in short-term investments | <u>(997,136)</u> | <u>(16,473)</u> |
| | <u>(8,300,347)</u> | <u>(3,661,004)</u> |
| Cash inflow | 1,793,482 | 3,878,643 |
| Cash, beginning of year | <u>25,950,052</u> | <u>22,071,409</u> |
| Cash, end of year | <u>\$ 27,743,534</u> | <u>\$ 25,950,052</u> |
| Cash is comprised of: | | |
| Cash | \$ 25,709,471 | \$ 22,625,757 |
| Restricted cash for RESOLVE campaign | <u>2,034,063</u> | <u>3,324,295</u> |
| | <u>\$ 27,743,534</u> | <u>\$ 25,950,052</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, 2016

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. 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, the operation of affordable housing and special events.

The Foundation maintains the following restricted funds:

- (i) 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.
- (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 Project 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, 2015

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 event has occurred and 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.

(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 publicly traded shares, which are sold as soon as reasonably practical.

(d) Property 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 building.

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

Assets held for affordable housing are 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 by the assets.

(e) 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:

| | |
|-------------------------|---|
| Furniture and Equipment | 4 years |
| Computer Equipment | 2 years |
| Software | 3 years |
| Leasehold Improvements | Remaining term of the lease including the first renewal option |

Calgary Homeless Foundation
Notes to Financial Statements
For the Year Ended March 31, 2015

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.

(f) **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.

The valuation of property held for affordable housing is based on management's best estimates of the future recoverability of these assets and the determination of costs subject to classification as property held for affordable housing. The amounts recorded for amortization of the property held for affordable housing are based on management's best estimates of the remaining useful lives and period of future benefit of the related assets.

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.

The valuation of approved project 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.

(g) **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.

Calgary Homeless Foundation
Notes to Financial Statements
For the Year Ended March 31, 2016

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, accounts receivable and deposits in trust for real estate acquisitions.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, accounts payable and funds held in trust for RESOLVE campaign, tenant deposits, mortgages payable, loan payable and approved project 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. Long-term debt is also reduced by financing fees and any debt premiums or discounts. The Foundation uses the effective interest method to amortize these adjustments to long-term debt.

(h) 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.

(i) 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 closing or is refunded if the purchase does not close.

Calgary Homeless Foundation
Notes to Financial Statements
For the Year Ended March 31, 2016

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 the Community Plan goals. The Foundation acts as the fiscal agent for the campaign.

During the year, all partners of the RESOLVE campaign contributed \$2,320,000 (2015 - \$2,641,239) 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 \$2,286,424 (2015 - \$2,467,596). 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 \$857,405 (2015 - \$797,109). The Foundation also received \$73,979 (2015 - \$73,979) as a fiscal agent fee.

The Statement of Operations includes contributions of \$7,142,664 (2015 - \$10,381,162) made to the RESOLVE Campaign as project revenue and total expenditures and distributions related to the RESOLVE Campaign of \$8,865,933 (2015 - \$8,956,066) as project disbursements related to all partners' interest in the Campaign.

The Statement of Operations includes revenue of \$8,725,124 (2015 - NIL) as project revenue representing RESOLVE distributions to the Foundation during the year.

4. Short-term Investments

Short-term investments consists of a term deposit of \$1,110,066 (2015 - \$1,098,430) bearing interest at 0.65% (2015 - 1.75%) and maturing on December 1, 2016 and \$985,500 of publicly traded shares received on March 30, 2016 designated for a RESOLVE campaign partner. The shares were sold in April 2016.

5. Property Held for Affordable Housing

| | Cost | Accumulated Amortization | March 31, 2016 | March 31, 2015 |
|----------|----------------------|-------------------------------------|---------------------------|---------------------------|
| Land | \$15,094,273 | \$ - | \$ 15,094,273 | \$ 15,164,273 |
| Building | <u>43,824,428</u> | <u>4,609,408</u> | <u>39,215,020</u> | <u>32,710,278</u> |
| | <u>\$ 58,918,701</u> | <u>\$ 4,609,408</u> | <u>\$ 54,309,293</u> | <u>\$ 47,874,551</u> |

Calgary Homeless Foundation
Notes to Financial Statements
For the Year Ended March 31, 2016

6. Property and Equipment

| | Cost | Accumulated Amortization | March 31, 2016 | March 31, 2015 |
|------------------------|-------------------|-------------------------------------|---------------------------|---------------------------|
| Computer Equipment | \$ 14,465 | \$ 14,465 | \$ - | \$ 7,748 |
| Leasehold Improvements | <u>91,925</u> | <u>91,925</u> | <u>-</u> | <u>9,192</u> |
| | <u>\$ 106,390</u> | <u>\$ 106,390</u> | <u>\$ -</u> | <u>\$ 16,940</u> |

All property and equipment was fully amortized as at March 31, 2016.

7. Mortgages Payable

| | March 31, 2016 | March 31, 2015 |
|--|---------------------------|---------------------------|
| Mortgage payable for the Acadia property bearing interest at a rate of 1.78% per annum, payable in monthly principal and interest instalments totalling \$13,703, maturing in 2020 and secured by the Acadia property having a carrying value of \$8,183,182. This mortgage was repaid on March 7, 2016. | \$ - | \$ 2,153,808 |
| Mortgage payable for the Bowness (Longbow) property bearing interest at a rate of 3.46% per annum, payable in monthly principal and interest instalments totalling \$4,754, maturing in fiscal 2018 and secured by the Bowness property having a carrying value of \$2,872,784 (note 12). | 824,486 | 852,673 |
| Mortgage payable for the Capitol Hill (Francis) property bearing interest at a rate of 3.62% per annum, payable in monthly principal and interest instalments totalling \$4,805, maturing in fiscal 2017 and secured by the Capitol Hill property having a carrying value of \$3,171,884 (note 12). | 824,070 | 851,504 |
| Mortgage payable for the Kingsland (Claire) property bearing interest at a rate of 3% per annum, principal is payable at maturity, monthly interest instalments totalling \$2,500, maturing in fiscal 2017 and secured by the Kingsland property having a carrying value of \$5,636,257. | 500,545 | 1,000,000 |

Calgary Homeless Foundation
Notes to Financial Statements
For the Year Ended March 31, 2016

| | March 31, 2016 | March 31, 2015 |
|---|-------------------|---------------------|
| Mortgage payable for the Bankview property bearing interest at a rate of 2.68% per annum, payable in monthly principal and interest instalments totalling \$5,480, maturing in fiscal 2017 and secured by the Bankview property having a carrying value of \$3,786,854. | 1,040,875 | 1,078,347 |
| Mortgage payable for the Crescent Heights property bearing interest at a rate 3.22% per annum, payable in monthly principal and interest instalments totalling \$2,301, maturing in fiscal 2017 and secured by the Crescent Heights property having a carrying value of \$1,555,938. | 413,548 | 427,648 |
| Mortgage payable for the Lower Mount Royal (Croydon) property bearing interest at a rate of 3.45% per annum, payable in monthly principal and interest instalments totalling \$2,715, maturing in fiscal 2017 and secured by the Lower Mount Royal property having a carrying value of \$2,141,052. | 486,129 | 501,770 |
| Mortgage payable for the Thorncliffe property bearing interest at a rate of 2.68% per annum, payable in monthly principal and interest instalments totalling \$3,401, maturing in fiscal 2017 and secured by the Thorncliffe property having a carrying value of \$2,294,471. | 646,092 | 669,352 |
| Line of credit for Beltline (Stepping Stone), Crescent Place (Providence) and Hillhurst/Sunnyside (Aurora) bearing interest at bank prime paid annually, secured by properties and repayable on demand. | <u>1,731,800</u> | <u>1,731,800</u> |
| | 6,467,545 | 9,266,902 |
| Less: Portion Due Within One Year | <u>5,681,220</u> | <u>3,829,767</u> |
| | <u>\$ 786,325</u> | <u>\$ 5,437,135</u> |

Assuming that the mortgages are not renewed at the maturity date, the estimated principal payments due are as follows:

| | |
|------|---------------------|
| 2017 | \$ 5,681,220 |
| 2018 | <u>786,325</u> |
| | <u>\$ 6,467,545</u> |

Total interest paid on mortgages payable during the year was \$206,198 (2015 - \$293,165).

During the year, the Foundation renewed the line of credit in the amount of \$5,000,000 to assist with the purchase and construction of various properties. At March 31, 2016, \$1,731,800 had been drawn on the line of credit (note 12).

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2016

8. Loans Payable

The loans are payable to Canadian Mortgage and Housing Corporation (CMHC). The Sunalta loan is an unsecured, non-interest bearing loan granted for the purpose of developing affordable housing which was expended on the Sunalta Lodging House. This loan is forgivable over 11 years. Funds for the development of Hillhurst/Sunnyside, Beltline and Crescent Place properties were received in the year and up to 35% of those funds may be forgiven if rents meet affordability criteria as defined by the CMHC. The loans are unsecured, non-interest bearing and are to be repaid out of the project's capital financing.

| | March 31, 2016 | March 31, 2015 |
|--|-------------------|-------------------|
| Sunalta Lodging House | \$ 196,023 | \$ 230,114 |
| Hillhurst/Sunnyside, Beltline and Crescent Place | <u>300,000</u> | <u>-</u> |
| | 496,023 | 230,114 |
| Less: Portion Due Within One Year | <u>195,000</u> | <u>-</u> |
| Balance, End of Year | <u>\$ 301,023</u> | <u>\$ 230,114</u> |

9. Related Party Transactions

(a) Board of Directors

The Foundation paid operating expenses amounting to \$75,977 (2015 - \$75,977) to a trust which a Director of the Foundation controls. The Foundation also recorded \$123,540 (2015 - \$181,192) of donations in kind from the trust.

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

(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.

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2016

Accounts receivable includes \$12,074 (2015 - \$8,400) receivable from the Society related to amounts paid by the Foundation on the Society's behalf. 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:

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | \$ 702,362 | \$ 615,310 |
| Property held for affordable housing | <u>3,881,643</u> | <u>3,928,401</u> |
| | <u>\$ 4,584,005</u> | <u>\$ 4,543,711</u> |
| Liabilities | <u>\$ 106,000</u> | <u>\$ 117,813</u> |
| Fund Balances | | |
| Internally restricted net assets invested in property held for affordable housing | \$ 3,809,643 | \$ 3,845,734 |
| Internally restricted | 134,309 | 134,309 |
| Externally restricted | 324,131 | 324,131 |
| Unrestricted | <u>209,922</u> | <u>121,724</u> |
| | <u>4,478,005</u> | <u>4,425,898</u> |
| | <u>\$ 4,584,005</u> | <u>\$ 4,543,711</u> |
| | | |
| Revenue | \$ 169,169 | \$ 197,523 |
| Expenses | <u>117,062</u> | <u>112,816</u> |
| Excess (deficiency) of revenue over expenses | <u>\$ 52,107</u> | <u>\$ 84,707</u> |
| | | |
| Cash inflow from operating activities | <u>\$ 85,440</u> | <u>\$ 122,385</u> |
| Cash inflow from investing activities | <u>\$ -</u> | <u>\$ 337,502</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, 2016

10. Approved project disbursements

The Foundation has entered into contracts with various agencies to assist in the prevention and elimination of homelessness in Calgary by delivering project funds of \$3,370,148 (2015 - \$3,100,000) over the next fiscal year.

Terms of these agreements were modified in fiscal 2015 to 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, 2016.

11. Commitments and Contingencies

The Foundation has entered into a lease agreement for \$1 with the Government of Alberta for premises which expires on March 31, 2020. This space is currently being used by the RESOLVE campaign.

The Foundation has a lease for office space from a trust which a Director of the Foundation controls. This lease requires the Foundation to cover monthly operating expenses of \$6,331 (2015 - \$6,331). The monthly base rent payments of \$10,295 (2015 - \$15,099) are recorded by the Foundation as a donation along with the corresponding expense. The lease expires on July 31, 2018.

As part of a \$4.1M funding agreement with Persons with Developmental Disabilities Calgary Region Community Board (PDD), the Foundation is required to maintain ownership and control of each of the housing units referenced in the agreement for a period of 20-30 years. If the Foundation transfers ownership of these properties before this time PDD may require a repayment of a portion of the total proceeds that declines as the length of ownership increases.

12. Subsequent events

In May 2016, the Foundation renegotiated its line of credit in the amount of \$5,000,000 with a major Canadian financial institution to finance land purchases for various properties in Calgary. The line of credit bears interest at 2.06% per annum subject to change on the date of the advance and replaces the Foundation's existing line of credit (note 7).

On April 1, 2016, the Foundation renewed and modified its mortgage on the Bowness (Longbow) property at \$786,079 of remaining principal. It bears interest at 3.1% per annum, matures on April 1, 2017 and is secured by the Bowness property.

On May 1, 2016, the Foundation renewed and modified its mortgage on the Capitol Hill (Francis) property at \$819,388 of remaining principal. It bears interest at 3.25% per annum, matures on May 1, 2018 and is secured by the Capitol Hill property.

Calgary Homeless Foundation

Notes to Financial Statements

For the Year Ended March 31, 2016

On April 29, 2016, the Board of Directors approved a plan to transfer the property held for affordable housing and the associated cash, grants, receivables, payables, mortgages, loans and deposits to the Calgary Community Land Trust Society, which is an existing charity controlled by the Foundation (note 9(b)). The transfer will occur during Fiscal 2017 and the Society and its Board of Directors will become independent of the Foundation. The newly independent society will be an entity solely dedicated to housing that will be positioned to accelerate and deliver integrated housing solutions for specialized populations. Subsequent to the transfer, the Foundation will continue its work as the system planner for Calgary's Updated Plan to End Homelessness.

13. 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.

(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) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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.

Calgary Homeless Foundation
Notes to Financial Statements
For the Year Ended March 31, 2016

(d) 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.

14. 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 | \$ 286,655 | \$ 584,743 |
| Direct expenses incurred for the purposes of soliciting contributions | <u>11,534</u> | <u>272,662</u> |
| | <u>\$ 298,189</u> | <u>\$ 857,405</u> |

15. Comparative Amounts

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