

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Financial Statements

March 31, 2023

CALGARY DROP-IN & REHAB CENTRE SOCIETY
Index to Financial Statements
For the Year Ended March 31, 2023

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13



Tel: 403-266-5608
Fax: 403-233-7833
www.bdo.ca

BDO Canada LLP
903 - 8th Avenue SW, Suite 620
Calgary AB T2P 0P7 Canada

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Calgary Drop-In & Rehab Centre Society (the "Society"), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or cease operations, or has no realistic alternative but to do so.

(continues)



Independent Auditor's Report to the Board of Directors of Calgary Drop-In & Rehab Centre Society
(continued)

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP


Chartered Professional Accountants


Calgary, Alberta
June 23, 2023

CALGARY DROP-IN & REHAB CENTRE SOCIETY
Statement of Financial Position
As at March 31

	2023	2022
Assets		
Current		
Cash	\$ 1,839,280	\$ 2,043,158
Internally restricted cash (Note 3)	6,700,000	10,000,000
Accounts receivable	206,605	453,214
Goods and services tax recoverable	159,503	62,667
Prepaid expenses and other assets	90,011	119,280
Assets held for sale (Note 4)	-	1,632,916
	8,995,399	14,311,235
Property and equipment (Note 4)	44,873,107	45,222,040
	\$ 53,868,506	\$ 59,533,275
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	\$ 1,154,028	\$ 1,776,067
Security deposits	149,270	144,971
Unearned rent	31,530	18,290
Deferred contributions related to operations (Note 5)	2,163,553	1,834,499
Demand loan (Note 6)	6,083,333	7,333,333
	9,581,714	11,107,160
Long-term debt (Note 6)	4,855,162	4,965,542
Deferred contributions related to property and equipment (Note 5)	15,015,665	15,793,165
	29,452,541	31,865,867
Net assets		
Internally restricted (Note 3)	6,700,000	10,000,000
Invested in property and equipment	18,918,947	18,762,916
Replacement reserve (Note 7)	120,000	80,000
Unrestricted	(1,322,982)	(1,175,508)
	24,415,965	27,667,408
	\$ 53,868,506	\$ 59,533,275

On behalf of the Board:


 _____ Director


 _____ Director

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Statement of Operations

For the Year Ended March 31

	2023	2022
Revenue		
Grants		
Government of Alberta	\$ 15,943,054	\$ 16,859,595
The City of Calgary	492,900	470,536
Calgary Homeless Foundation	487,700	2,850,603
Other	156,092	542,644
Canada Emergency Wage Subsidy	-	2,337,494
Rental revenue	2,838,281	2,757,642
Donations	2,594,752	2,788,277
Other revenue (Note 10)	1,010,792	197,993
Gifts in-kind (Note 11)	298,599	56,217
Interest income	290,231	54,114
Amortization of deferred contributions - operations (Note 5)	1,428,254	707,019
	<u>25,540,655</u>	<u>29,622,134</u>
Expenses		
Direct client costs		
Personal incidentals	1,033,654	618,406
Food	595,315	557,538
Materials and supplies	294,616	332,940
Medical supplies	85,983	80,502
Direct client costs - other	28,849	15,431
	<u>2,038,417</u>	<u>1,604,817</u>
Facilities		
Utilities	1,567,726	1,289,679
Building maintenance	963,118	1,037,279
Loan interest	356,012	198,624
Facility supplies	281,241	295,666
Facility insurance	187,577	120,918
Facilities - other	133,801	561,954
Garbage removal	101,528	78,968
	<u>3,591,003</u>	<u>3,583,088</u>
Administration		
Consultant charges and legal fees	649,672	631,774
Licensing and other fees	637,987	420,095
Administration - other	370,287	423,422
Staff training and travel	263,170	277,366
Advertising	136,502	166,190
Insurance - liability and vehicle	63,420	19,662
	<u>2,121,038</u>	<u>1,938,509</u>
Salaries and benefits	<u>19,224,047</u>	<u>19,722,527</u>
	<u>26,974,505</u>	<u>26,848,941</u>
(Deficiency) excess of revenue over expenses before property and equipment	<u>(1,433,850)</u>	<u>2,773,193</u>
Other items		
Amortization of deferred revenue related to property and equipment (Note 5)	1,904,145	1,757,689
Amortization expenses of property and equipment	(3,721,736)	(3,746,143)
	<u>(1,817,591)</u>	<u>(1,988,454)</u>
(Deficiency) excess of revenue over expenses	<u>\$ (3,251,443)</u>	<u>\$ 712,124</u>

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Statement of Changes in Net Assets

For the Year Ended March 31

	Internally restricted funds <i>(Note 3)</i>	Invested in property and equipment	Replacement Reserve <i>(Note 7)</i>	Unrestricted funds	Total 2023	Total 2022
Net assets – beginning of year	\$ 10,000,000	\$ 18,762,916	\$ 80,000	\$ (1,175,508)	\$ 27,667,408	\$ 26,955,284
(Deficiency) excess of revenue over expenses	-	(1,817,591)	-	(1,433,852)	(3,251,443)	712,124
Capital transactions	-	1,973,622	-	(1,973,622)	-	-
Interfund transfers <i>(Note 8)</i>	(3,300,000)	-	40,000	3,260,000	-	-
Net assets – end of year	\$ 6,700,000	\$ 18,918,947	\$ 120,000	\$ (1,322,982)	\$ 24,415,965	\$ 27,667,408

The accompanying notes form an integral part of the financial statements.

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Statement of Cash Flows

For the Year Ended March 31

	2023	2022
Operating activities		
(Deficiency) excess of revenue over expenses	\$ (3,251,443)	\$ 712,124
Items not affecting cash:		
Amortization of property and equipment	3,721,736	3,746,143
Amortization of deferred contributions	(3,332,399)	(2,481,556)
	<u>(2,862,106)</u>	<u>1,976,711</u>
Changes in non-cash working capital:		
Accounts receivable	246,609	(293,439)
Goods and services tax receivable	(96,836)	(27,997)
Prepaid expenses and other assets	29,269	115,580
Accounts payable and accrued liabilities	(622,038)	412,867
Security deposits	4,298	9,620
Unearned rent	13,240	(3,690)
Deferred contributions related to operations	<u>2,148,554</u>	<u>2,112,594</u>
Cash flows (used by) from operating activities	<u>(1,139,010)</u>	<u>4,302,246</u>
Investing activities		
Purchase of property and equipment	<u>(1,739,889)</u>	<u>(1,488,778)</u>
Financing activities		
Additions to deferred contributions related to property and equipment	735,399	236,911
Disposal of property and equipment (Note 4)	-	247,826
Loan repayment	(1,250,000)	(445,877)
Repayment of debt	<u>(110,378)</u>	<u>-</u>
Cash flow from (used by) financing activities	<u>(624,979)</u>	<u>38,860</u>
(Decrease) increase in cash flows	(3,503,878)	2,852,328
Cash and cash equivalents – beginning of year	<u>12,043,158</u>	<u>9,190,830</u>
Cash and cash equivalents – end of year	<u>8,539,280</u>	<u>12,043,158</u>
Cash consists of:		
Cash	\$ 1,839,280	\$ 2,043,158
Internally restricted cash (Note 3)	<u>6,700,000</u>	<u>10,000,000</u>
	\$ 8,539,280	\$ 12,043,158

The accompanying notes form an integral part of the financial statements.

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Notes to Financial Statements

Year Ended March 31, 2023

1. Purpose of the organization

The Calgary Drop-In & Rehab Centre Society (the "Society") welcomes adults at risk of experiencing homelessness. Working collaboratively, the Society provides access to a spectrum of care that supports each person's transition to the most independent living possible – including emergency shelter, programs and services, and affordable and supported housing. The Society is incorporated under the Societies Act of Alberta and is a registered charity under the Income Tax Act of Canada and therefore is not subject to income tax.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and, in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Revenue recognition

The Society follows the deferral method of accounting for contributions.

Restricted grants and donations are recognized as revenue in the year in which the related expenses are incurred. Restricted grants and donations related to property and equipment are recognized in revenue using the same rates and methods to amortize the assets to which the contribution relates.

Unrestricted grants and donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized as revenue in the month the rent is due.

Interest income is recognized as revenue on an accrual basis when it is earned.

Other revenue is recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

b) Programs

Revenues and expenses related to the delivery of programs are reported according to the nature of the program. Programs are supported by externally restricted contributions and report the revenue and expenses related to the delivery of those programs.

c) Cash and cash equivalents

Cash consists of cash on hand and balances with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less that are subject to an insignificant risk of change in value.

(continues)

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Notes to Financial Statements

Year Ended March 31, 2023

2. Summary of significant accounting policies (*continued*)

d) Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Contributions received are deferred and amortized over the useful life of the asset. Property and equipment are amortized over their estimated useful lives using the straight-line method at the following rates:

Building	Remaining useful life years with original useful life of 20 years
Computers	5 years
Automobiles	5 years
Equipment	6.67 years

The City of Calgary has granted a 25-year ground lease for the land located under the main Riverfront building at \$10.00 per year commencing February 1, 2000 and ending January 31, 2025, with an option for the Society to renew for a further period of 25 years. The renewal term has been exercised and the new term will commence February 1, 2025.

e) Financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost and are assessed for impairment at each reporting date.

f) Contributed materials and services

Donated materials are recorded as expenses at their fair market value at the date of contribution when fair values can be reasonably determined and would otherwise be purchased with a corresponding amount recorded as gift in-kind revenue.

g) Management estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The financial statement areas that contain management estimates are the useful lives of property and equipment, amortization of deferred contributions, expenses allocations among programs, and estimation of value for the gifts in-kind. Actual results could differ from those estimates.

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Notes to Financial Statements

Year Ended March 31, 2023

3. Internally restricted funds

The Board of Directors has established an operating reserve. The reserve will be accumulated as funds are available to a maximum equal to three months of operating expenses. The funds shall be held available for and restricted in use to meet the regular operating expenses of the Society in the event revenues available to meet such expenses are otherwise insufficient, and for no other purpose. This reserve cannot be accessed without prior approval of the Board of Directors. The capital reserves represent funds held for future additions to property and equipment or repayment of debt used to finance past additions to property and equipment.

	Operating Reserve	Capital Reserve	2023	2022
Reserve balance, beginning	\$ 6,700,000	\$ 3,300,000	\$ 10,000,000	\$ 5,500,000
Interfund transfers (Note 8)	-	(3,300,000)	(3,300,000)	4,500,000
	\$ 6,700,000	\$ -	\$ 6,700,000	\$ 10,000,000

4. Property and equipment

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	\$ 9,669,763	\$ -	\$ 9,669,763	\$ 9,609,835
Buildings	71,772,535	38,960,229	32,812,306	35,609,315
Equipment	3,243,626	3,077,101	166,525	161,106
Automobiles	563,572	365,661	197,911	130,156
Computers	3,978,954	2,611,846	1,367,108	1,344,544
Construction in progress	659,494	-	659,494	-
	\$ 89,887,944	\$ 45,014,837	\$ 44,873,107	\$ 46,854,956

The Inglewood Plaza property is no longer for sale by management. It was classified as an asset held for sale and included in land and buildings above with a net value of \$1,632,916 in the prior year.

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Notes to Financial Statements

Year Ended March 31, 2023

5. Deferred contributions

The deferred contributions relate to funds received in the current and previous periods to be matched with expenses of subsequent periods. Contributions received for property and equipment are deferred and amortized over the useful life of the asset. Unused cash for capital contributions are transferred to deferred contributions for future capital expenditure.

	<u>2022</u>	<u>Addition</u>	<u>Inter-account transfers</u>	<u>Utilization</u>	<u>2023</u>
<u>Deferred contributions related to property and equipment</u>					
Centre 4800	\$ 8,695,689	\$ -	\$ -	\$ 775,156	\$ 7,920,533
Sundial	5,297,765	-	25,000	688,139	\$ 4,634,626
Others	626,234	735,399	135,133	228,380	\$ 1,268,386
Riverfront Avenue	803,166	-	206,113	56,071	\$ 953,208
Donation Centre	157,913	-	-	24,672	\$ 133,241
Bridgeland Manor	212,398	-	25,000	131,727	\$ 105,671
	<u>15,793,165</u>	<u>735,399</u>	<u>391,246</u>	<u>1,904,145</u>	<u>\$ 15,015,665</u>
<u>Deferred contributions related to operations</u>					
	<u>1,834,499</u>	<u>2,148,554</u>	<u>(391,246)</u>	<u>1,428,254</u>	<u>\$ 2,163,553</u>
	<u>\$ 17,627,664</u>	<u>\$ 2,883,953</u>	<u>\$ -</u>	<u>\$ 3,332,399</u>	<u>\$ 17,179,218</u>

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Notes to Financial Statements

Year Ended March 31, 2023

6. Demand loan

	<u>2023</u>	<u>2022</u>
Canada Mortgage and Housing Corporation (a)	\$ 4,855,162	\$ 4,965,542
Toronto-Dominion Bank loan (b)	<u>6,083,333</u>	<u>7,333,333</u>
	<u>\$ 10,938,495</u>	<u>\$ 12,298,875</u>

(a) On May 25, 2020, the Society entered into an agreement with Canada Mortgage and Housing Corporation ("CMHC") consisting of a repayable loan of \$4,855,162 and a forgivable loan of \$3,773,207 which is included in deferred contributions. The principal balance of the repayable loan is amortized over a period of 40 years commencing once the Society demonstrates twelve consecutive months of annualized gross income from the project of no less than \$719,352. This loan bears interest at 0.65%. Interest payments of \$31,907 (2022 - \$29,719) and principal payments of \$110,380 (2022 - \$45,877) were made during the year. This loan agreement includes non-financial and financial covenants to be met by the Society. As at March 31, 2023, all of the covenant requirements have been met.

(b) On April 15, 2020, the Society entered a revolving loan agreement with Toronto-Dominion Bank ("TD") for the following purposes:

1. To assist with working capital for a maximum amount of \$500,000;
2. To assist with capital expenditures and acquisitions for property up to a maximum amount of \$3,000,000;
3. To provide interim financing for the construction of the Centre 4800 building up to a maximum amount of \$12,480,656;
4. Upon completion of the Centre 4800 building, to replace property located at 4804 Edmonton Trail NE with a long-term financing for that;
5. To fulfill the requirements of the City in relation to the construction, a letter of credit amounting to \$150,000 was issued by TD. During the fiscal year that amount was reduced to \$10,000 and subsequent to year end it was reduced to nil.

The revolving loan was converted to long-term financing in accordance with Facility #4. The long-term loan bears interest at prime + 0.00%. The loan is repayable to TD on demand. In the absence of demand, the drawdown will be repaid by minimum monthly principal payments based on a 20-year notional amortization. The loan is secured by first charge on all properties associated with the Society, collateral on the mortgage of buildings located at 835 - 6 Avenue SW with a net book value of \$6,763,126 (2022 - \$7,810,883), and general assignment of rent leases associated with the address as previously mentioned.

The Society is subject to a financial covenant under this agreement. As at March 31, 2023, the Society has met the requirement of this financial covenant.

7. Replacement reserve

To be in compliance with CMHC loan outlined in Note 6(a), a percentage of revenues of the project are to be restricted in a replacement reserve. \$120,000 (2022 - \$80,000) has been restricted in the year.

CALGARY DROP-IN & REHAB CENTRE SOCIETY

Notes to Financial Statements

Year Ended March 31, 2023

8. Interfund transfers

The Board of Directors approved transfers as follows:

- a) \$3,300,000 (2022 - \$3,300,000) from the capital reserve to unrestricted funds (2022 - from unrestricted funds to capital reserve);
 - b) \$Nil (2022 - \$1,200,000) from operating reserve (2022 - unrestricted funds) to the unrestricted funds (2022 - operating reserve);
 - c) \$40,000 (2022 - \$40,000) from unrestricted funds to the replacement reserve, which is further discussed in Note 5.
-

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

Gross contributions received were \$2,523,004 (2022 - \$2,477,972).

The Society incurred a total cost of \$194,153 (2022 - \$235,613) for soliciting these contributions. Included in these total costs are \$63,817 (2022 - \$70,456) remuneration paid to employees engaged in these fundraising activities.

10. Other revenue

	<u>2023</u>	<u>2022</u>
Settlement received	\$ 850,000	\$ -
Miscellaneous	<u>160,792</u>	<u>197,993</u>
	<u>\$ 1,010,792</u>	<u>\$ 197,993</u>

11. Contributed materials and services

The Society received food, personal incidentals, supplies and small furnishings with a fair market value of \$298,599 (2022 - \$56,217) recorded in gifts in-kind donation revenue and direct client costs.

Volunteers contributed approximately 42,934 (2022 - 36,837) hours during the year to assist the Society to carry out its programs. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

12. Financial instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, loan and security deposits, with all financial assets and liabilities reported at their amortized cost. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant market, interest rate, currency or credit risks arising from these financial instruments. The fair value approximates their carrying value. There has been no change in exposure to risk from that reported in the prior year.

CALGARY DROP-IN & REHAB CENTRE SOCIETY
Notes to Financial Statements
Year Ended March 31, 2023

13. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation. This reclassification has no effect on the prior year's net income.
