



**Management's Discussion & Analysis
and Financial Statements**

March 31, 2015



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, 2013 to March 31, 2014 is referred to as fiscal 2014, the period April 1, 2014 to March 31, 2015 is referred to as fiscal 2015 and the period April 1, 2015 to March 31, 2016 is referred to as fiscal 2016.

A. Environment

As 2018 draws closer we are committed to engaging community through collective impact and collective leadership. CHF is strengthening its position as the backbone organization, with responsibility for fulfillment of the Plan’s goals resting within the community. Calgary’s Updated Plan to End Homelessness was launched March 2015 and rebranded under the “I Heart Home YYC” initiative. Updating of the Plan was achieved through extensive community consultations soliciting feedback from agencies, partner organizations, communities, Calgarians and government.

In November 2014, CHF participated in a province-wide Point-in-Time Count with 7 Cities. The November Calgary Count found the same number of people experiencing homelessness compared with the January Point-in-Time Count, and 1.2% fewer than the count held in August 2012. In total 3,555 people were found to be homeless on the night of the count. This also represents a 1.3% decrease from the same time in 2008. On a per capita basis, Calgary has achieved a 15% decrease in homelessness per 100,000 population.

| 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 trends impacting the issue of homelessness are listed below.

- There continues to be significant in-migration into Calgary, with net migration of 28,017 and the overall population growth of 3.39% from 2013 to 1,195,194 in 2014, compared with 1,149,552 in 2013.

- The vacancy rate for rental apartments remained at approximately 1% in fiscal 2015, due to immigration and the continued impact of loss of housing stock from the flood in 2013. Agencies seeking housing for clients continued to wait three to six months to find appropriate housing.
- The CHF conducted reviews of agencies that are provided with Housing First program funding. A number of issues were identified. As a result, the CHF has been working with agencies to address these issues by reallocating funding, adjusting program deliverables and providing necessary front-line training.

B. Strategy

The CHF acts as the backbone organization working with and supporting the community's attainment of the key priorities outlined in Calgary's Updated Plan to End Homelessness. Over the final three years of the Plan, the goal continues to be to reduce the average length of stay in singles emergency shelters to 10 days and 14 days for family shelters. In addition, ending homelessness means housing 100% of those experiencing chronic and episodic homelessness, a total of 3,200 people and stabilizing 35% of households at risk or experiencing transitional homelessness, a total of 9,400 households and reducing the total number enumerated in the Homeless Point-in-Time Count by 70%.

Calgary's Plan has three distinct phases.

In the first three years of the Plan (2008 to 2010), the community focused on creating rapid, visible and meaningful change. There was also an opportunity through research to better understand homelessness.

Starting in 2012, the community began work on moving from a loose system of uncoordinated emergency responders to an integrated system of care focused on ending homelessness.

Beginning in 2015 an update of the Plan was launched. This update has re-invited total community investment into the attainment of the 14 Key Actions outlined in the Plan. This investment calls for continued tuning of the system of care for sustainability, collective accountability beyond service providers, and major movement toward large scale social change leading to enhanced and realigned investment, policy platforms and deeper partnerships between government, municipality, citizens, agencies and business. Lastly, the plan opens the door for future conversation within the community regarding next steps towards 2018 and beyond.

C. Organization and Leadership

The CHF is structured into three primary areas: operations, strategy and housing. Housing oversees both asset management of existing properties and acquisition and development of new properties. As at March 31, 2015, there were 45 employees. The leadership team can be found on the CHF website at:

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

D. Performance on Fiscal 2015 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 2015.

| 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> | | |
|---|--------|---|
| | Status | Comments |
| a) Increase capacity of system spaces for youth and single adults to meet identified needs | ✓ | <ul style="list-style-type: none"> Additional scattered-site program spaces for youth and single adults funded. |
| b) Address unique and pressing needs for additional family emergency shelter spaces | ✓ | <ul style="list-style-type: none"> Increased family shelter capacity in place. |
| c) Identify and contract agency of record for Stepping Stone Manor | ✓ | <ul style="list-style-type: none"> Completed RFP for Stepping Stone Manor to add 30 spaces to the system of care. |
| d) Meet demand for supportive housing with intensive supports for family shelter clients | ✓ | <ul style="list-style-type: none"> Implemented Journey House. Provided nine mid to high acuity spaces. |
| 2. IMPLEMENT PLANS TO ADDRESS GAPS IN THE SYSTEM: <i>The impact is the creation of a more integrated and harmonized system of care inclusive of systems and agencies working outside the homeless serving sector.</i> | | |
| | Status | Comments |
| a) Map health care system to identify strategic partnerships to develop meaningful discharge plans from hospital | ✓ | <ul style="list-style-type: none"> SPDATs completed in multiple access points. Broadened placement committee membership utilizing CAA and HMIS. |
| b) Enhance discharge planning from health and justice systems to reduce discharge into homelessness | ✓ | <ul style="list-style-type: none"> Added 30 agencies outside the homeless-serving sector to the CAA. |
| c) Broaden outreach to organizations outside system of care to enhance impact and capacity within the system | ✓ | <ul style="list-style-type: none"> Updated Calgary's Plan to End Homelessness and launched under I Heart Home brand. to broaden the messaging of our collective impact. |
| 3. MATCH SYSTEM AND PROGRAM OUTCOMES: <i>The impact is more comprehensive, responsive and effective service provision.</i> | | |
| | Status | Comments |
| a) Develop KPIs (Key Performance Indicators) for all programs | ✓ | <ul style="list-style-type: none"> Created Program Key Performance Indicators and refined and monitored Benchmarks. Developed roadmap for improvements and for agencies self-assessment. Assessed all programs based on performance tools and limited impact of cuts to lowest performing programs only. |

| 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.</i> | | |
|---|--------|---|
| | Status | Comments |
| a) Work with community to assess continuum of housing stock | ✓ | <ul style="list-style-type: none"> Gathered data to inform Calgary's Updated Plan to End Homelessness Continued work with The City on Affordable Housing Strategy |
| b) Determine best housing model for chronic homelessness | ✓ | <ul style="list-style-type: none"> Completed concepts for singles and families PSH Scoped out model for long-term care facility model |
| c) Fundraise for CHF housing and to help others (RESOLVE) | ✓ | <ul style="list-style-type: none"> Secured \$23.0 million for CHF through RESOLVE and \$40.0 million among all RESOLVE partners |
| d) Align program funding with capital investments | ✓ | <ul style="list-style-type: none"> Reviewed and aligned CHF agreements Matched funded programs with housing providers |

| 5. PARTICIPATE IN THE RE-VISIONING OF SHELTERS: <i>The impact is a reduction in shelter beds and greater alignment with the Plan to End Homelessness.</i> | | |
|---|--------|--|
| | Status | Comments |
| a) Strengthen leadership position with GoA and other levels of government | ✓ | <ul style="list-style-type: none"> Continued active membership in 7 Cities Continued collaboration on standard methodology for National PIT Counts. Maintained a strong relationship with Human Services through monthly meetings Continued positive relationship with The City of Calgary |

| 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> | | |
|--|--------|--|
| | Status | Comments |
| b) Improve Data Quality | ✓ | <ul style="list-style-type: none"> Implemented a new data quality plan and reporting process with agencies. |
| c) Expand HMIS ART Resources | ✓ | <ul style="list-style-type: none"> Implemented timeliness and completeness reporting on a monthly basis. |
| d) Shelter Data Analysis | ✓ | <ul style="list-style-type: none"> Obtained HMIS singles and family shelter data and CDIRC shelter data to support additional analysis and better understanding Verified data shows a 15% reduction in homelessness per 100,000 population |

| 7. BRING PERMANENT SUPPORTIVE HOUSING (PSH) ON-STREAM: <i>The impact is greater capacity to move people into housing once assessed, shortening the gap between assessment and placement.</i> | | |
|--|--------|--|
| | Status | Comments |
| e) Work with community to assess continuum of housing stock | ✓ | <ul style="list-style-type: none"> Finalized numbers to inform Updated Plan to End Homelessness |

| 7. BRING PERMANENT SUPPORTIVE HOUSING (PSH) ON-STREAM: <i>The impact is greater capacity to move people into housing once assessed, shortening the gap between assessment and placement.</i> | | |
|--|--------|--|
| | Status | Comments |
| | | <ul style="list-style-type: none"> Continued work with The City on Affordable Housing Strategy |
| f) Continue to advocate with provincial and federal government for Housing First program funding | ✓ | <ul style="list-style-type: none"> Negotiated consistent federal funding. Collaborated with GoA to minimize funding reductions |
| g) Continue to advocate with provincial and municipal government to add significant affordable housing | ✓ | <ul style="list-style-type: none"> Continued participation in The City's Affordable Housing Strategy Continued positive CHC relationship |
| h) Continue working on building of affordable housing units | ✓ | <ul style="list-style-type: none"> Stepping Stone Manor; completion targeted for September 2015 Received development permit for Providence House, 24 units Received development permit for Aurora on the Park, 25 units |

| 8. IMPLEMENT HOUSING LOCATION STRATEGY FOR SCATTERED SITE: <i>The impact is agencies have greater access to housing for individuals and families accessing emergency shelter.</i> | | |
|---|--------|---|
| | Status | Comments |
| i) Study completed and recommendations made for housing location strategy. | ✓ | <ul style="list-style-type: none"> Continued work with sector, rental providers and the City on housing availability |
| j) Funding secured for housing location strategy and position posted. | ✓ | <ul style="list-style-type: none"> Secured funding for and search underway for 2 positions. |

E. Risk Management

The CHF continues to mitigate enterprise risk through an annual strategic review process; an annual budgeting and business planning process; boiler-plates for all agreements; RFP processes; and a tracking process for 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 on 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.

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 takes appropriate actions to remove barriers or impediments and enhances engagement among community leaders. A list of the Board of Directors (fiscal 2015) 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, 2015)

Cash of \$22.07 million in fiscal 2014 increased to \$25.95 million in fiscal 2015 due to significant capital construction donations. Deposits in trust for real estate acquisitions decreased from \$160,000 in fiscal 2014 to NIL in fiscal 2015 as a result of completing five property transactions in early fiscal 2015. There were no new property contracts underway at the end of fiscal 2015. Property held for affordable housing also increased from \$45.10 million in fiscal 2014 to \$47.87 million in fiscal 2015 due to the acquisition of three properties and significant renovation activity, offset by annual amortization.

Mortgages on properties were \$9.77 million (including internally held debt of \$505,650) at March 31, 2015, compared with \$9.38 million at March 31, 2014 due to scheduled principal repayments and donations to pay down mortgages, offset by mortgages on the newly acquired properties. Loans payable decreased from \$264,119 in fiscal 2014 to \$230,114 in fiscal 2015.

Fund balances increased to \$58.38 million in fiscal 2015 compared to \$50.92 million in fiscal 2014 due to a significant increase in donations.

2. Statement of Operations

Donations and grants rose to \$67.16 million in fiscal 2015, compared with \$46.91 million in fiscal 2014. The \$20.25 million increase in fiscal 2015 was largely due to significant donations received that are directly related to capital construction and funding from the Government of Alberta for programs. As well, rental revenue of \$2.62 million was generated in fiscal 2015, compared with \$2.51 million in fiscal 2014. The Foundation operated the equivalent of 364 affordable housing units in fiscal 2015 which is the same as the previous year. In fiscal 2015, special events income was \$201,000, compared with \$193,000 in fiscal 2014. Investment income was \$293,000 in fiscal 2015, compared with \$338,000 in fiscal 2014.

Operating expense was \$55.29 million in fiscal 2015, made up of \$53.36 million in payments to agencies, \$1.10 million in real property costs and \$32,000 in special events. The CHF also incurred \$797,000 in expenses contributed to RESOLVE. This compares with operating expenses of \$36.36 million in fiscal 2014, made up of \$34.34 million in payments to agencies, \$1.48 million in real property costs and \$73,000 in special events. The CHF also incurred \$469,000 in expenses contributed to RESOLVE in fiscal 2014. The increase in operating expenses were predominantly due to higher project disbursements.

Administration expenses were \$7.53 million in fiscal 2015, compared with \$6.51 million in fiscal 2014. Administration expenses in fiscal 2015 were made up of \$3.93 million in salaries, \$2.71 million in office expenses and \$891,000 in amortization. In comparison, fiscal 2014 administration expenses were made up of \$3.71 million in salaries, \$1.88 million in office expenses and \$926,000 in amortization.

Of the \$1.078 million in operating costs fundraised for fiscal 2015, the average gift was about \$1,605. Fundraising methods for operating dollars 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 raised \$817,150 and secured commitments of \$2,800,000 in fiscal 2015. Fundraising methods for these gifts are primarily with higher wealth individuals or companies.

3. Liquidity and Capital Resources

Investing activities used \$3.66 million in fiscal 2015, primarily due to \$3.64 million spent to purchase affordable housing. A list of these properties can be found on the CHF website at <http://calgaryhomeless.com/wp-content/uploads/2014/06/CHF-2014-Housing-Portfolio.pdf>, Investing activities used \$1.70 million in fiscal 2014, primarily due to \$1.68 million spent to purchase affordable housing.

Financing activities generated \$395,000 in fiscal 2015, compared with \$1,313 used in fiscal 2014. This was due to an increase to the line of credit during the year, offset by repayment of mortgages payable.

Calgary Homeless Foundation
Financial Statements
March 31, 2015

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, 2015, 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, 2015, 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 ACCOUNTANTS

Calgary, Canada
June 2, 2015

Calgary Homeless Foundation

(Incorporated under the laws of Alberta)

Statement of Financial Position

As at March 31, 2015

| | Operating | Project | RESOLVE campaign | March 31, 2015 Total | March 31, 2014 Total |
|---|----------------------|----------------------|---------------------|-------------------------|-------------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash | \$ 11,022,528 | \$ 11,603,229 | \$ - | \$ 22,625,757 | \$ 21,213,764 |
| Restricted cash for RESOLVE campaign (note 3) | - | - | 3,324,295 | 3,324,295 | 857,645 |
| Short-term investments (note 4) | 1,098,430 | - | - | 1,098,430 | 1,081,957 |
| Accounts receivable | 187,389 | 3,673,845 | - | 3,861,234 | 2,370,941 |
| Prepaid expenses | 89,442 | - | - | 89,442 | 94,583 |
| Deposits in trust for real estate acquisitions | - | - | - | - | 160,000 |
| | <u>12,397,789</u> | <u>15,277,074</u> | <u>3,324,295</u> | <u>30,999,158</u> | <u>25,778,890</u> |
| Property held for affordable housing (note 5) | - | 47,874,551 | - | 47,874,551 | 45,102,928 |
| Property and equipment (note 6) | <u>16,940</u> | <u>-</u> | <u>-</u> | <u>16,940</u> | <u>35,953</u> |
| | <u>\$ 12,414,729</u> | <u>\$ 63,151,625</u> | <u>\$ 3,324,295</u> | <u>\$ 78,890,649</u> | <u>\$ 70,917,771</u> |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 256,764 | \$ 93,273 | \$ - | \$ 350,037 | \$ 478,144 |
| Accounts payable for RESOLVE campaign (note 3) | - | - | 254,007 | 254,007 | - |
| Funds held in trust for RESOLVE campaign (note 3) | - | - | 3,070,288 | 3,070,288 | 857,645 |
| Deferred contributions | 4,043,054 | - | - | 4,043,054 | 805,076 |
| Current portion of mortgages payable (note 7) | - | 3,829,767 | - | 3,829,767 | 4,490,500 |
| Approved project disbursements (note 10) | - | 3,100,000 | - | 3,100,000 | 8,587,840 |
| | <u>4,299,818</u> | <u>7,023,040</u> | <u>3,324,295</u> | <u>14,647,153</u> | <u>15,219,205</u> |
| Tenant deposits | - | 199,325 | - | 199,325 | 131,241 |
| Mortgages payable (note 7) | - | 5,437,135 | - | 5,437,135 | 4,381,410 |
| Loan payable (note 8) | - | 230,114 | - | 230,114 | 264,119 |
| | <u>4,299,818</u> | <u>12,889,614</u> | <u>3,324,295</u> | <u>20,513,727</u> | <u>19,995,975</u> |
| Funds Balances | | | | | |
| Internally restricted - net investment in property and equipment | 16,940 | - | - | 16,940 | 35,953 |
| Internally restricted - net investment in property held for affordable housing | - | 37,871,885 | - | 37,871,885 | 35,461,249 |
| Internally restricted – mortgage | - | 505,650 | - | 505,650 | 505,650 |
| Externally restricted | - | 11,884,476 | - | 11,884,476 | 8,781,537 |
| Unrestricted | <u>8,097,971</u> | <u>-</u> | <u>-</u> | <u>8,097,971</u> | <u>6,137,407</u> |
| | <u>8,114,911</u> | <u>50,262,011</u> | <u>-</u> | <u>58,376,922</u> | <u>50,921,796</u> |
| | <u>\$ 12,414,729</u> | <u>\$ 63,151,625</u> | <u>\$ 3,324,295</u> | <u>\$ 78,890,649</u> | <u>\$ 70,917,771</u> |

Approved by the Board of Directors:

Alan Norris Chairman, Board of Directors

Luana Comin-Sartor Chair, Audit Committee

Commitments (note 11)

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

Calgary Homeless Foundation

Statement of Operations

| | Year Ended March 31, 2015 | | | Year Ended March 31, 2014 |
|-----------------------------------|---------------------------|---------------------|---------------------|------------------------------|
| | Operating | Project | Total | Total |
| Revenue | | | | |
| Donations and grants | \$ 6,721,680 | \$ 60,442,105 | \$ 67,163,785 | \$ 46,912,652 |
| Rental revenue | 2,621,056 | - | 2,621,055 | 2,510,655 |
| Special events | 201,150 | - | 201,150 | 192,627 |
| Investment income | <u>136,312</u> | <u>156,945</u> | <u>293,257</u> | <u>338,325</u> |
| | <u>9,680,197</u> | <u>60,599,050</u> | <u>70,279,247</u> | <u>49,954,259</u> |
| Operating expenses | | | | |
| Project disbursements (note 10) | - | 53,362,000 | 53,362,000 | 34,336,528 |
| Real property costs | 245,275 | 858,601 | 1,103,876 | 1,479,030 |
| Special events | 31,892 | - | 31,892 | 73,282 |
| RESOLVE campaign (notes 3 and 13) | <u>797,109</u> | <u>-</u> | <u>797,109</u> | <u>468,800</u> |
| | <u>1,074,276</u> | <u>54,220,601</u> | <u>55,294,877</u> | <u>36,357,640</u> |
| Administrative expenses | | | | |
| Salaries | 3,928,532 | - | 3,928,532 | 3,705,179 |
| Office | 2,708,791 | - | 2,708,791 | 1,881,825 |
| Amortization | <u>27,047</u> | <u>864,874</u> | <u>891,921</u> | <u>926,212</u> |
| | <u>6,664,370</u> | <u>864,874</u> | <u>7,529,244</u> | <u>6,513,216</u> |
| Total expenses | <u>7,738,646</u> | <u>55,085,475</u> | <u>62,824,121</u> | <u>42,870,856</u> |
| Excess revenue over expenses | <u>\$ 1,941,551</u> | <u>\$ 5,513,575</u> | <u>\$ 7,455,126</u> | <u>\$ 7,083,403</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, 2015

| | Internally restricted - net investment in property and equipment | Internally restricted – net investment in property held for affordable housing | Internally restricted - mortgage | Externally restricted | Unrestricted | March 31, 2015 | March 31, 2014 |
|--|---|---|---|----------------------------------|---------------------|---------------------------|---------------------------|
| Fund balances, beginning of year | \$ 35,953 | \$ 35,461,249 | \$ 505,650 | \$ 8,781,537 | \$ 6,137,407 | \$ 50,921,796 | \$ 43,838,393 |
| Excess revenue over expenses | - | - | - | 5,513,575 | 1,941,551 | 7,455,126 | 7,083,403 |
| Purchase of property and equipment | (19,013) | - | - | - | 19,013 | - | - |
| Purchase of property held for affordable housing | - | 2,410,636 | - | (2,410,636) | - | - | - |
| Fund balances, end of year | <u>\$ 16,940</u> | <u>\$ 37,871,885</u> | <u>\$ 505,650</u> | <u>\$ 11,884,476</u> | <u>\$ 8,097,971</u> | <u>\$ 58,376,922</u> | <u>\$ 50,921,796</u> |

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

Calgary Homeless Foundation

Statement of Cash Flows

| | <u>Year Ended</u> <u>March 31, 2015</u> | <u>Year Ended</u> <u>March 31, 2014</u> |
|--|--|--|
| Cash provided by (used in): | | |
| Operating activities | | |
| Excess of revenue over expenses | \$ 7,455,126 | \$ 7,083,403 |
| Add (deduct) items not affecting cash | | |
| Amortization | 891,921 | 926,212 |
| Forgiveness of loan payable (note 8) | <u>(34,005)</u> | <u>(34,079)</u> |
| | 8,313,042 | 7,975,536 |
| Changes in non-cash working capital | 4,319,453 | (1,331,223) |
| Increase in prepaid project disbursements | - | 875,552 |
| Decrease in approved project disbursements | <u>(5,487,840)</u> | <u>(3,804,079)</u> |
| | <u>7,144,655</u> | <u>3,715,786</u> |
| Financing activity | | |
| Proceeds from (repayments of) mortgages payable, net | <u>394,992</u> | <u>(1,314)</u> |
| Investing activities | | |
| Purchase of property and equipment | (8,034) | - |
| Purchase of property for affordable housing | (3,636,497) | (1,682,067) |
| Net change in short-term investments | <u>(16,473)</u> | <u>(21,435)</u> |
| | <u>(3,661,004)</u> | <u>(1,703,502)</u> |
| Cash inflow | 3,878,643 | 2,010,970 |
| Cash, beginning of year | <u>22,071,409</u> | <u>20,060,439</u> |
| Cash, end of year | <u>\$ 25,950,052</u> | <u>\$ 22,071,409</u> |
| Cash is comprised of: | | |
| Cash | \$ 22,625,757 | \$ 21,213,764 |
| Restricted cash for RESOLVE campaign | <u>3,324,295</u> | <u>857,645</u> |
| | <u>\$ 25,950,052</u> | <u>\$ 22,071,409</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, 2015

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 lead implementing agency of Calgary's 10 Year Plan to End Homelessness. The Foundation's stated objectives are to serve as a community partner in identifying the causes of and solutions to homelessness; to develop plans, in conjunction with all aspects of the community, that will provide access to housing for the homeless in Calgary; to provide leadership and focus to address homelessness issues in Calgary and to raise such funds as may be necessary to achieve these objectives.

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, "Project Homeless Connect" events, and other 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 are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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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 deposits is accrued over the term of the deposit.

(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 |

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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 and property and equipment 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 and property and equipment. The amounts recorded for amortization of the property held for affordable housing and property and equipment 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 accounts receivable, whether from the government funding contracts, or other receivables, is based on management's best estimate of the provision for doubtful accounts.

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, 2015

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.

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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. Funds received in the year from the other parties of \$2,641,239 (2014 - \$857,645) pursuant to the RESOLVE agreement for administration of the campaign are recorded as restricted cash and funds held in trust until costs are incurred. Donations received in the year from individuals, corporations, and private sector organizations for the campaign are recorded as restricted cash and funds held in trust until disbursed.

The Statement of Operations includes contributions of \$8,898,922 made to the RESOLVE Campaign as project revenue and total expenditures and distributions related to the RESOLVE Campaign of \$8,956,066 as project disbursements related to all partners’ interest in the Campaign. The portion related to the Foundation’s share of the expenditures of the Campaign has been shown separately as an operating expenditure of the Foundation of \$797,109 (2014 - \$468,800).

4. Short-term Investments

Short-term investments consists of a term deposit of \$1,098,430 (2014 - \$1,081,957) bearing interest at 1.75% (2014 – 1.7%) and maturing on December 1, 2015.

5. Property Held for Affordable Housing

| | Cost | Accumulated Amortization | March 31, 2015 | March 31, 2014 |
|----------|----------------------|-------------------------------------|---------------------------|---------------------------|
| Land | \$15,164,273 | \$ - | \$ 15,164,273 | \$ 13,517,000 |
| Building | <u>36,445,191</u> | <u>3,734,913</u> | <u>32,710,278</u> | <u>31,585,928</u> |
| | <u>\$ 51,609,464</u> | <u>\$ 3,734,913</u> | <u>\$ 47,874,551</u> | <u>\$ 45,102,928</u> |

Calgary Homeless Foundation
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For the Year Ended March 31, 2015

6. Property and Equipment

| | Cost | Accumulated Amortization | March 31, 2015 | March 31, 2014 |
|-------------------------|-------------------|-----------------------------|-------------------|-------------------|
| Furniture and Equipment | \$ 67,818 | \$ 67,818 | \$ - | \$ 1,315 |
| Computer Equipment | 22,500 | 14,752 | 7,748 | 7,060 |
| Software | 273,326 | 273,326 | - | - |
| Leasehold Improvements | <u>91,925</u> | <u>82,733</u> | <u>9,192</u> | <u>27,578</u> |
| | <u>\$ 455,569</u> | <u>\$ 438,629</u> | <u>\$ 16,940</u> | <u>\$ 35,953</u> |

7. Mortgages Payable

| | March 31, 2015 | March 31, 2014 |
|--|-------------------|-------------------|
| 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 \$8,385,662. | \$ 2,153,808 | \$ 2,704,763 |
| Mortgage payable for the Bowness property bearing interest at a rate of 3.46% per annum, payable in monthly principal and interest instalments totalling \$4,754, maturing in 2016 and secured by the Bowness property having a carrying value of \$2,934,345. | 852,673 | 879,923 |
| Mortgage payable for the Capitol Hill property bearing interest at a rate of 3.62% per annum, payable in monthly principal and interest instalments totalling \$4,805, maturing in 2016 and secured by the Capitol Hill property having a carrying value of \$3,231,530. | 851,504 | 878,128 |
| Mortgage payable for the Kingsland property bearing interest at a rate of 3% per annum, principal is payable at maturity, monthly interest instalments totalling \$2,500, maturing in 2016 and secured by the Kingsland property having a carrying value of \$5,744,281. | 1,000,000 | 1,000,000 |
| 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 2016 and secured by the Bankview property having a carrying value of \$3,862,755. | 1,078,347 | 1,114,834 |

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| | March 31, 2015 | March 31, 2014 |
|--|---------------------------|---------------------------|
| 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 2016 and secured by the Crescent Heights property having a carrying value of \$1,588,753. | 427,648 | 441,376 |
| Mortgage payable for the Lower Mount Royal property bearing interest at a rate of 3.45% per annum, payable in monthly principal and interest instalments totalling \$2,715, maturing in 2017 and secured by the Lower Mount Royal property having a carrying value of \$2,178,828. | 501,770 | 516,886 |
| 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 2016 and secured by the Thorncliffe property having a carrying value of \$2,343,610. | 669,352 | 692,000 |
| Line of credit for Beltline, Crescent Place and Hillhurst/Sunnyside bearing interest at bank prime paid annually, secured by properties and repayable on demand. | <u>1,731,800</u> | <u>644,000</u> |
| | 9,266,902 | 8,871,910 |
| Less: Portion Due Within One Year | <u>3,829,767</u> | <u>4,490,500</u> |
| | <u>\$ 5,437,135</u> | <u>\$ 4,381,410</u> |

Assuming renewal at similar terms, the estimated principal payments due are as follows:

| | |
|------------|---------------------|
| 2016 | \$ 3,829,767 |
| 2017 | 3,540,262 |
| 2018 | 131,863 |
| 2019 | 134,221 |
| Thereafter | <u>1,630,789</u> |
| | <u>\$ 9,266,902</u> |

Total interest paid on mortgages payable during the year was \$293,165 (2014 - \$312,066).

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 in order to meet the Foundation's mandate of ending homelessness in Calgary by December 31, 2018. At March 31, 2015, \$1,731,800 had been drawn on the line of credit.

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8. Loan Payable

The loan is payable to Canadian Mortgage and Housing Corporation (CMHC). It is an unsecured, non-interest bearing loan granted for the purpose of developing affordable housing which was expended on the Sunalta Lodging House. The loan is forgivable over 11 years.

| | March 31, 2015 | March 31, 2014 |
|----------------------------|---------------------------|---------------------------|
| Balance, Beginning of Year | \$ 264,119 | \$ 298,198 |
| Forgiven in Year | <u>(34,005)</u> | <u>(34,079)</u> |
| Balance, End of Year | <u>\$ 230,114</u> | <u>\$ 264,119</u> |

9. Related Party Transactions

(a) Board of Directors

The Foundation paid operating expenses amounting to \$75,977 (2014 - \$74,225) to a trust which a Director of the Foundation controls. The Foundation also recorded \$181,192 (2014 - \$181,192) of donations in kind from the trust. A charitable receipt for tax purposes was not issued for this donation.

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.

Accounts receivable includes \$8,400 (2014 - \$225) 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.

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Accounts payable includes \$NIL (2014 - \$15,573) payable to the Society related to amounts deposited in 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:

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | \$ 615,310 | \$ 504,864 |
| Property held for affordable housing | <u>3,928,401</u> | <u>3,975,158</u> |
| | <u>\$ 4,543,711</u> | <u>\$ 4,480,022</u> |
| Liabilities | | |
| | <u>\$ 117,813</u> | <u>\$ 138,831</u> |
| Fund Balances | | |
| Internally restricted net assets invested in property held for affordable housing | \$ 3,847,579 | \$ 3,856,911 |
| Externally restricted | 324,131 | 324,131 |
| Internally restricted | 132,464 | 136,154 |
| Unrestricted | <u>121,724</u> | <u>23,995</u> |
| | <u>4,425,898</u> | <u>4,341,191</u> |
| | <u>\$ 4,543,711</u> | <u>\$ 4,480,022</u> |
| Revenue | \$ 197,523 | \$ 113,533 |
| Expenses | <u>112,816</u> | <u>147,270</u> |
| Excess (deficiency) of revenue over expenses | <u>\$ 84,707</u> | <u>\$ (33,737)</u> |
| Cash inflow (outflow) from operating activities | <u>\$ 122,385</u> | <u>\$ (19,760)</u> |
| Cash inflow (outflow) from investing activities | <u>\$ 337,502</u> | <u>\$ (4,256)</u> |

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

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 \$3,100,000 (2014 - \$8,587,840) over the next fiscal year.

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Terms of these agreements have been 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, 2015.

11. Commitments and Contingencies

The Foundation has entered into a lease agreement for \$1 with the Government of Alberta for premises which expired on March 31, 2015. The lease renewal in circulation is expected to extend the lease to March 31, 2020. This space is currently being used by the RESOLVE campaign.

The Foundation has a lease for office space. This lease requires the Foundation to cover monthly operating expenses of \$6,331 (2014 - \$6,331). The monthly base rent payments of \$15,099 (2014 - \$15,099) is recorded by the Foundation as a donation along with the corresponding expense. The lease expires on July 31, 2015.

The Foundation has entered into a license and service agreement with an intranet, programming and implementation service provider. This agreement expires on March 31, 2016 and has a commitment of \$143,000 for the year ended March 31, 2016.

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. 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 also 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.

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(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.

(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.

13. 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 | \$ 194,542 | \$ 431,895 |
| Direct expenses incurred for the purposes of soliciting contributions | <u>31,892</u> | <u>365,214</u> |
| | <u>\$ 226,435</u> | <u>\$ 797,109</u> |

14. Comparative Amounts

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