

**Potential Place Society of Calgary**  
**Financial Statements**  
For the year ended March 31, 2021

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## Independent Auditor's Report

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To the Members of  
Potential Place Society of Calgary

### *Opinion*

We have audited the financial statements of Potential Place Society of Calgary (the "Society"), which comprise the statement of financial position as at March 31, 2021, 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 Society as at March 31, 2021, and its results of operations 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 other ethical responsibilities in accordance with these 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 the 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.

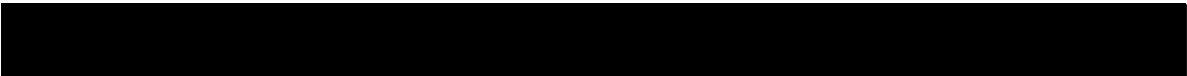
In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or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

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

### *Auditor's Responsibilities for the Audit of the 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:





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## Independent Auditor's Report (continued)

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- 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 Society'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.



Chartered Professional Accountants

Calgary, Alberta



# Potential Place Society of Calgary Statement of Financial Position

March 31

2021

2020

## Assets

### Current

Cash	\$ 687,463	\$ 275,454
Accounts receivable	120	6,892
Prepaid expenses	30,200	44,421
Goods and services tax recoverable	8,991	7,850
Restricted cash (Note 2)	19,849	15,502
	<u>746,623</u>	<u>350,119</u>

Property and equipment (Note 3)

1,456,073 1,472,062

\$ 2,202,696 \$ 1,822,181

## Liabilities and Net Assets

### Current

Accounts payable and accrued liabilities	\$ 78,180	\$ 61,009
Deferred contributions related to operations (Note 4)	291,898	40,625
Security deposits	11,558	11,858
Current portion of lease inducement (Note 6)	15,160	15,160
	<u>396,796</u>	<u>128,652</u>

Loan payable (Note 5)

29,000 29,000

Bank loans (Note 10)

40,000 -

Deferred lease inducement (Note 6)

41,690 56,849

Deferred contributions related to property and equipment (Note 7)

481,807 501,919

989,293 716,420

### Net assets

Invested in property and equipment	976,756	972,664
Internally restricted	6,000	6,000
Unrestricted	<u>230,647</u>	<u>127,097</u>

1,213,403 1,105,761

\$ 2,202,696 \$ 1,822,181

Approved on behalf of the board:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

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

## Potential Place Society of Calgary Statement of Operations

For the year ended March 31

2021

2020

### Revenue

Grants - Alberta Health Services	\$ 688,855	\$ 688,855
Government funding	470,780	183,525
Housing revenue	299,138	290,743
Donations	49,571	19,331
Recognition of deferred contributions related to property and equipment (Note 7)	43,844	39,645
Recognition of lease inducement	15,159	10,278
Food services	9,821	15,392
Fundraising revenue	3,877	9,338
Other income	2,258	200
Interest income	1,533	2,162
Casino	-	48,620

<b>1,584,836</b>	<b>1,308,089</b>
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### Expenditures

Salaries and related benefits	839,231	756,945
Rent and facility maintenance	183,898	145,640
Office	129,105	129,305
Program costs	90,398	48,699
Repairs and maintenance	80,963	54,615
Food services	51,304	24,974
Amortization	42,561	47,033
Utilities	25,310	22,522
Accounting and legal	19,726	35,808
Other expenses	4,365	3,333
Subcontract	3,923	3,237
Supplies	3,652	940
Education program	2,758	5,306
Advertising and promotion	-	8,543
TE Employer program	-	688

<b>1,477,194</b>	<b>1,287,588</b>
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### Excess of revenue over expenditures before undernoted items

<b>107,642</b>	<b>20,501</b>
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### Other expenses

Loss on disposal of property and equipment	-	45,651
Non-cash lease inducements	-	72,009

<b>-</b>	<b>117,660</b>
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### Excess (deficiency) of revenue over expenditures for the year

<b>\$ 107,642</b>	<b>\$ (97,159)</b>
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The accompanying notes are an integral part of these financial statements.

## Potential Place Society of Calgary Statement of Changes in Net Assets

For the year ended March 31

	Invested in property and equipment	Internally restricted	Unrestricted	Total 2021	Total 2020
Balance, beginning of year	\$ 972,664	\$ 6,000	\$ 127,097	\$ 1,105,761	\$ 1,202,920
Excess (deficiency) of revenue over expenditures for the year	1,282	-	106,360	107,642	(97,159)
Additions to property and equipment	2,810	-	(2,810)	-	-
Balance, end of year	\$ 976,756	\$ 6,000	\$ 230,647	\$ 1,213,403	\$ 1,105,761

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

## Potential Place Society of Calgary Statement of Cash Flows

For the year ended March 31	2021	2020
<b>Cash flows from operating activities</b>		
Cash receipts from funders and donors	\$ 1,804,570	\$ 1,259,473
Cash paid to suppliers and employees	(1,403,241)	(1,310,652)
Interest received	1,533	2,162
	<u>402,862</u>	<u>(49,017)</u>
<b>Cash flows from investing activities</b>		
Additions to property and equipment	(26,506)	-
Proceeds on disposal of property and equipment	-	14,577
	<u>(26,506)</u>	<u>14,577</u>
<b>Cash flows from financing activity</b>		
Increase in loans	40,000	29,000
<b>Increase (decrease) in cash during the year</b>	<u>416,356</u>	<u>(5,440)</u>
<b>Cash, beginning of year</b>	<u>290,956</u>	<u>296,396</u>
<b>Cash, end of year</b>	<u>\$ 707,312</u>	<u>\$ 290,956</u>
<b>Cash consists of:</b>		
Cash	\$ 687,463	\$ 275,454
Restricted cash	<u>19,849</u>	<u>15,502</u>
	<u>\$ 707,312</u>	<u>\$ 290,956</u>

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

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## Potential Place Society of Calgary

### Notes to the Financial Statements

March 31, 2021

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#### Nature of operations

Potential Place Society of Calgary (the "Society") was formed in June of 1995 and commenced operations on April 8, 1996. The Society was incorporated under the Societies Act of Alberta and is a registered charity under Section 149(1) of the Income Tax Act and is therefore not subject to the payment of income tax.

The Society provides a safe, responsive environment to enable those with severe and chronic mental illness to regain self-esteem, life and vocational skills through direct involvement in the Society's programs.

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#### 1. Summary of significant accounting policies

The Society follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

##### Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions for the purchase of property and equipment are deferred and recognized as income on the same basis that the related assets are amortized.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned. Housing revenue is recognized on a monthly basis when services are performed. Food services revenue is recognized when services are provided. Revenue from fundraising events is recognized when the event occurs.

##### Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days. The Society currently holds no cash equivalents.



# Potential Place Society of Calgary

## Notes to the Financial Statements

March 31, 2021

### 1. Summary of significant accounting policies (continued)

#### Property and equipment

Property and equipment are recorded at cost. The Society provides for amortization using the following methods at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Asset	Method	Rate
Vehicles	Declining balance	30%
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Buildings	Declining balance	4%
Leasehold improvements	Straight-line	term of lease
Equipment	Declining balance	20%

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

#### Goods and services tax

Goods and services tax is recoverable at 50% as a rebate, which has been recorded as a receivable. The unrecoverable portion is recognized as an expense.

#### Contributed services

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

Volunteers contributed many hours per year to assist the Society in carrying out its services and programs. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

#### 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.

Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition and sale of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

#### Lease inducements

Lease inducements are deferred and amortized on a straight-line basis over the term of the related lease.

## Potential Place Society of Calgary Notes to the Financial Statements

March 31, 2021

### 1. Summary of significant accounting policies (continued)

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

### 2. Restricted cash

Included in the restricted cash balance is a separate account in which security deposits in the amount of \$11,558 (2020: \$11,858) held on behalf of tenants have been deposited. The Residential Tenancies Act of Alberta requires that security deposits received on behalf of residential tenants are to be kept separately in an interest-bearing trust account. Also included in the restricted cash balance is a Casino account with a balance of \$8,291 (2020: \$3,644) subject to the Alberta Gaming, Liquor and Cannabis Commission terms and conditions.

### 3. Property and equipment

	2021		2020	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 748,000	\$ -	\$ 748,000	\$ 748,000
Buildings	1,171,422	533,705	637,717	664,289
Equipment	122,853	97,988	24,865	26,363
Vehicles	46,170	39,635	6,535	9,611
Furniture and fixtures	30,238	26,073	4,165	5,206
Leasehold improvements	13,744	1,145	12,599	12,713
Computer equipment	82,206	60,014	22,192	5,880
	<b>\$ 2,214,633</b>	<b>\$ 758,560</b>	<b>\$ 1,456,073</b>	<b>\$ 1,472,062</b>

### 4. Deferred contributions related to operations

Deferred contributions related to operations represent funding dollars restricted by agreement upon receipt.

	Beginning Balance	Additions	Utilization	Ending Balance
Government funding	\$ -	\$ 1,091,635	\$ (962,608)	\$ 129,027
Non-government funding	40,625	308,076	(185,830)	162,871
	<b>\$ 40,625</b>	<b>\$ 1,399,711</b>	<b>\$ (1,148,438)</b>	<b>\$ 291,898</b>

## Potential Place Society of Calgary Notes to the Financial Statements

March 31, 2021

### 5. Loan payable

Unsecured, interest free loan from Canadian Mortgage and Housing Corporation. The loan is due on the maturity date, the earlier of the date the Society receives the first construction advance for the housing project or April 23, 2022.

### 6. Deferred lease inducement

In 2019, the Society received six month of free rent (\$83,379) as an inducement to enter into a lease for office premises. The \$83,379 was recorded as a deferred lease inducement. The deferred lease inducement is being recognized as a reduction of rent expense over the term of the lease, which ends December 2024.

	2021	2020
Deferred lease inducement	\$ 56,850	\$ 72,009
Current portion of lease inducement	(15,160)	(15,160)
	<u>\$ 41,690</u>	<u>\$ 56,849</u>

### 7. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent contributions restricted for the purchase of two apartment buildings, a roof replacement, a vehicle, and appliances. The contributions are being recognized as revenue on the same basis as the amortization of the acquired assets.

	Beginning balance	Additions	Utilizations	Ending balance
Buildings	\$ 464,673	\$ -	\$ (18,585)	\$ 446,088
Leasehold improvements	14,814	-	(14,406)	408
Vehicle	9,544	-	(2,834)	6,710
Appliances	5,700	-	(1,147)	4,553
Computer	3,960	22,606	(5,863)	20,703
Equipment	3,228	-	(952)	2,276
Furniture	-	1,126	(57)	1,069
	<u>\$ 501,919</u>	<u>\$ 23,732</u>	<u>\$ (43,844)</u>	<u>\$ 481,807</u>

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## Potential Place Society of Calgary

### Notes to the Financial Statements

March 31, 2021

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#### 8. Commitments

In 2019, the Society signed a 5 year lease agreement for its office premises commencing January 1, 2020. The Society took possession of the new office space in July 2019 and is offered 6 month free rent. The Society also entered into a lease agreement for an additional office space during 2021. Future minimum lease payment excluding operating costs, as at March 31, 2021 are as follows:

2022	\$ 106,462
2023	90,984
2024	97,050
2025	<u>72,787</u>
	<u>\$ 367,283</u>

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#### 9. Financial instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and security deposits. All of these are reported at amortized cost.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying value of these financial instruments approximate their fair values, unless otherwise noted. The risk assessment has not changed from the prior year.

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#### 10. COVID-19

In March 2020, in response to COVID-19 certain measures were implemented by the provincial and federal governments that will affect future operations of the Society. As the impacts of COVID-19 continue, there could be further impact on the Society, its funders and donors. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry, and workforce.

In response to the pandemic, the Society collected Temporary Wage Subsidies in the amount of \$14,927 (2020: \$Nil) which is included in government funding. In addition, the Society received the Canada Emergency Business Account loan in the amount of \$60,000. Of this amount, \$20,000 (2020: \$Nil) has been recorded as government funding, and \$40,000 (2020: \$Nil) is included in bank loans. Under the terms of the agreement, \$20,000 is forgivable, and the repayable portion is interest free until December 2022. If the repayable portion is not repaid in full by December 2022, an interest rate of 5% will be charged.

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