

**Potential Place Society of Calgary**  
**Financial Statements**  
For the year ended March 31, 2023

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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, 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 Society as at March 31, 2023, 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.

#### *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.

*BDO Canada LLP*

Chartered Professional Accountants

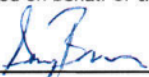
Calgary, Alberta  
June 22, 2023

**Potential Place Society of Calgary  
Statement of Financial Position**

March 31	2023	2022
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 24,746	\$ 47,038
Short term investments (Note 2)	514,189	400,000
Accounts receivable	556	2,743
Prepaid expenses	39,259	39,711
Goods and services tax recoverable	9,277	10,028
Restricted cash (Note 3)	<u>33,056</u>	<u>63,283</u>
	621,083	562,803
Property and equipment (Note 4)	<u>1,409,878</u>	<u>1,420,128</u>
	<u>\$ 2,030,961</u>	<u>\$ 1,982,931</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 119,726	\$ 43,034
Deferred contributions related to operations (Note 5)	89,161	152,859
Security deposits	13,702	11,714
Loan payable (Note 6)	29,000	29,000
Bank loan (Note 11)	40,000	-
Current portion of lease inducement (Note 7)	<u>15,160</u>	<u>15,160</u>
	306,749	251,767
Bank loan (Note 11)	-	40,000
Deferred lease inducement (Note 7)	11,372	26,531
Deferred contributions related to property and equipment (Note 8)	<u>454,031</u>	<u>453,647</u>
	<u>772,152</u>	<u>771,945</u>
<b>Net assets</b>		
Invested in property and equipment	955,848	968,973
Internally restricted	6,000	6,000
Unrestricted	<u>296,961</u>	<u>236,013</u>
	<u>1,258,809</u>	<u>1,210,986</u>
	<u>\$ 2,030,961</u>	<u>\$ 1,982,931</u>

Commitments (Note 9)

Approved on behalf of the board:

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

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

## Potential Place Society of Calgary Statement of Operations

For the year ended March 31	2023	2022
<b>Revenue</b>		
Grants - Alberta Health Services	\$ 703,749	\$ 688,855
Housing revenue	301,055	288,842
Fundraising revenue	249,929	351,705
Casino	38,797	19,657
Recognition of deferred contributions related to property and equipment (Note 8)	24,426	28,160
Food services	19,798	18,083
Donations	19,367	19,728
Recognition of lease inducement	15,159	15,159
Interest income	6,827	2,046
Clubhouse members contribution	2,404	1,767
Other income	961	2,525
	<u>1,382,472</u>	<u>1,436,527</u>
<b>Expenses</b>		
Salaries and related benefits	819,214	872,093
Rent and facility maintenance	177,837	196,833
Office	92,161	119,144
Repairs and maintenance	52,493	61,716
Program costs	49,659	25,565
Food services	37,938	51,120
Amortization	36,290	40,722
Utilities	29,527	29,313
Accounting and legal	23,953	20,000
Fundraising	5,962	472
Subcontract	4,625	5,042
Education program	4,286	2,968
Supplies	247	1,217
TE Employer program	-	12,415
Advertising and promotion	-	324
	<u>1,334,192</u>	<u>1,438,944</u>
Excess (deficiency) of revenue over expenses before undernoted item	48,280	(2,417)
<b>Other expense</b>		
Loss on disposal of property and equipment	457	-
Excess (deficiency) of revenue over expenses for the year	<u>\$ 47,823</u>	<u>\$ (2,417)</u>

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 2023	Total 2022
Balance, beginning of year	\$ 968,973	\$ 6,000	\$ 236,013	\$ 1,210,986	\$ 1,213,403
Excess (deficiency) of revenue over expenses for the year	(11,864)	-	59,687	47,823	(2,417)
Funds transfer	(1,261)	-	1,261	-	-
<b>Balance, end of year</b>	<b>\$ 955,848</b>	<b>\$ 6,000</b>	<b>\$ 296,961</b>	<b>\$ 1,258,809</b>	<b>\$ 1,210,986</b>

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

**Potential Place Society of Calgary**  
**Statement of Cash Flows**

<b>For the year ended March 31</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from (to) operating activities</b>		
Cash receipts from funders and donors	\$ 1,302,097	\$ 1,248,320
Cash paid to suppliers and employees	(1,220,456)	(1,442,578)
Interest received	6,827	2,046
	<u>88,468</u>	<u>(192,212)</u>
<b>Cash flows to investing activities</b>		
Purchase of investments	(114,189)	(400,000)
Additions to property and equipment	(27,255)	(4,779)
Proceeds on disposal	457	-
	<u>(140,987)</u>	<u>(404,779)</u>
<b>Decrease in cash during the year</b>	<b>(52,519)</b>	<b>(596,991)</b>
<b>Cash, beginning of year</b>	<b>110,321</b>	<b>707,312</b>
<b>Cash, end of year</b>	<b>\$ 57,802</b>	<b>\$ 110,321</b>
<b>Cash consists of:</b>		
Cash	\$ 24,746	\$ 47,038
Restricted cash (Note 3)	33,056	63,283
	<u>\$ 57,802</u>	<u>\$ 110,321</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, 2023

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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, 2023

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, 2023

### 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. Short term investments

The Society's short term investments are comprised of the following:

Description	Maturity	Interest	2023	2022
1-Year Cashable GIC	January 17, 2023	0.80%	\$ -	\$ 400,000
Non-redeemable GIC	January 31, 2024	5.20%	50,000	-
Prime Linked GIC	January 11, 2024	4.20%	364,189	-
Non-redeemable GIC	November 7, 2023	5.00%	100,000	-
			<u>\$ 514,189</u>	<u>\$ 400,000</u>

### 3. Restricted cash

Included in the restricted cash balance is a separate account in which security deposits in the amount of \$10,583 (2022: \$9,728) 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 \$22,473 (2022: \$53,555) subject to the Alberta Gaming, Liquor and Cannabis Commission terms and conditions.

### 4. Property and equipment

	2023		2022	
	Cost	Accumulated Amortization	Net	Net
Land	\$ 748,000	\$ -	\$ 748,000	\$ 748,000
Buildings	1,171,422	583,702	587,720	612,209
Equipment	151,850	107,681	44,169	22,807
Vehicles	46,170	43,296	2,874	4,381
Furniture and fixtures	31,703	28,022	3,681	4,601
Leasehold improvements	13,744	1,374	12,370	12,484
Computer equipment	82,206	71,142	11,064	15,646
	<u>\$ 2,245,095</u>	<u>\$ 835,217</u>	<u>\$ 1,409,878</u>	<u>\$ 1,420,128</u>

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

March 31, 2023

**5. Deferred contributions related to operations**

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

	Balance, beginning of year	Additions	Utilization	Balance, end of year
Government funding	\$ 19,466	\$ -	\$ (19,466)	\$ -
Non-government funding	133,393	936,512	(980,744)	<b>89,161</b>
	<u>\$ 152,859</u>	<u>\$ 936,512</u>	<u>\$ (1,000,210)</u>	<u>\$ 89,161</u>

**6. Loan payable**

The loan payable is an 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 October 23, 2022. The repayment date was extended to June 30, 2023 during the year.

**7. Deferred lease inducement**

In 2019, the Society received six months of free rent of \$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.

	<u>2023</u>	<u>2022</u>
Deferred lease inducement	\$ 26,532	\$ 41,691
Current portion of lease inducement	(15,160)	(15,160)
	<u>\$ 11,372</u>	<u>\$ 26,531</u>

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

March 31, 2023

### 8. 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	\$ 428,247	\$ -	\$ (17,128)	\$ 411,119
Leasehold improvements	119	-	(119)	-
Vehicle	4,697	-	(1,409)	3,288
Appliances	3,635	-	(734)	2,901
Computer	14,487	-	(4,351)	10,136
Equipment	1,607	24,810	(512)	25,905
Furniture	855	-	(173)	682
	<u>\$ 453,647</u>	<u>\$ 24,810</u>	<u>\$ (24,426)</u>	<u>\$ 454,031</u>

### 9. Commitments

In 2019, the Society signed a five year lease agreement for its office premises commencing January 1, 2020. The Society took possession of the office space in July 2019 and was offered six months of free rent. Future minimum lease payment excluding operating costs, as at March 31, 2023 are as follows:

2024	\$ 97,050
2025	<u>72,788</u>
	<u>\$ 169,838</u>

The Society is currently in the process of negotiating a lease extension with the landlord.

### 10. Financial instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, short term investments, 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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## Potential Place Society of Calgary Notes to the Financial Statements

March 31, 2023

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### 11. Bank loan

The Society received a \$40,000 Canada Emergency Business Account loan from the Federal government in April 2020 and a subsequent loan expansion of \$20,000 under the same program in July 2021. Of the total \$60,000 loan, if \$40,000 is repaid on or before December 31, 2023 (extended from the original repayment deadline of December 31, 2022 in January 31, 2022), the remaining \$20,000 will be forgiven. The loan is non-interest bearing to December 31, 2023 and unsecured.

As was the case in 2021 and 2022, it is expected that the Society will have the financial capacity to repay all amounts required by the repayment deadline. The \$20,000 forgivable portion of the initial \$40,000 loan received in 2021 was recognized as revenue in 2021 and the forgivable amount is included in other government assistance in the statement of operations. There were no adjustments made to these amounts in 2023.

If the loan is not repaid by December 31, 2023, interest payments at 5.0% per annum are required until the full principal is due on December 31, 2025.

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### 12. Subsequent events

The Society is part of the National Housing Strategy Co-Investment Fund and seeks to build an apartment complex with 90 units with its agency service on-site. Subsequent to the year end, the Society put a deposit down on a parcel of land in consideration of \$100,000 cash with a total purchase price of \$5,125,000. The purchase is expected to be completed by November 30, 2023 subject to funding and closing conditions. The Society intends to construct the apartment complex at an estimated cost of \$29,400,000 by the end of September 2025 on the acquired land. The Society is currently in discussion with CMHC and other funders, setting out the terms and conditions for funding to be provided and related commitments to support the project.

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### 13. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

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