

# CUPS Calgary Society

*(formerly Calgary Urban Project Society (CUPS))*

Financial Statements

March 31, 2019

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## Independent Auditor's Report

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To the Board of Directors of CUPS Calgary Society  
(formerly Calgary Urban Project Society (CUPS))

### Opinion

We have audited the financial statements of CUPS Calgary Society (formerly Calgary Urban Project Society (CUPS)) (the "Society"), which comprise the statement of financial position as at March 31, 2019 and the statements of operations and changes in fund balances 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, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to note 12 to the financial statements which explains that certain comparative information presented for the year ended March 31, 2018 has been reclassified. The financial statements of the Society for the year ended March 31, 2018 were audited by another firm of chartered professional accountants who expressed an unmodified opinion on those financial statements on June 18, 2018. Our opinion is not modified in respect of this matter.

As part of the audit of the financial statements for the year ended March 31, 2019 we also audited the reclassifications in the financial statements for the year ended March 31, 2018 to be consistent with the 2019 presentation. In our opinion, the reclassifications have been properly applied. Other than with respect to the reclassifications which were applied to comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended March 31, 2018. Accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended March 31, 2018.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or 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:

- 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.

RSM Alberta LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada  
June 25, 2019

# CUPS Calgary Society

(formerly Calgary Urban Project Society (CUPS))

(Incorporated under the laws of Alberta)

## Statement of Financial Position

March 31, 2019

	Operating Fund	Internally Restricted Funds	Capital Assets Fund	2019	2018
<b>Assets</b>					
Current assets					
Cash	\$ 4,163,829	\$ -	\$ -	\$ 4,163,829	\$ 3,264,211
Accounts receivable	128,762	-	-	128,762	119,902
Prepaid expenses	55,478	-	17,161	72,639	57,681
Due from (to) fund	<u>911,778</u>	<u>88,096</u>	<u>(999,874)</u>	<u>-</u>	<u>-</u>
	5,259,847	88,096	(982,713)	4,365,230	3,441,794
Investments (note 3)	-	1,039,799	-	1,039,799	1,024,237
Capital assets (note 4)	<u>-</u>	<u>-</u>	<u>15,105,536</u>	<u>15,105,536</u>	<u>15,307,839</u>
	<u>\$ 5,259,847</u>	<u>\$ 1,127,895</u>	<u>\$ 14,122,823</u>	<u>\$ 20,510,565</u>	<u>\$ 19,773,870</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable and accrued liabilities (note 5)	\$ 734,633	\$ -	\$ -	\$ 734,633	\$ 626,438
Current portion of obligations under capital lease (note 6)	13,545	-	-	13,545	-
Designated contributions (note 7)	<u>1,950,295</u>	<u>-</u>	<u>-</u>	<u>1,950,295</u>	<u>1,415,488</u>
	2,698,473	-	-	2,698,473	2,041,926
Obligations under capital lease (note 6)	<u>46,281</u>	<u>-</u>	<u>-</u>	<u>46,281</u>	<u>-</u>
	<u>2,744,754</u>	<u>-</u>	<u>-</u>	<u>2,744,754</u>	<u>2,041,926</u>
<b>Members Equity</b>					
Fund balances	<u>2,515,093</u>	<u>1,127,895</u>	<u>14,122,823</u>	<u>17,765,811</u>	<u>17,731,944</u>
	<u>\$ 5,259,847</u>	<u>\$ 1,127,895</u>	<u>\$ 14,122,823</u>	<u>\$ 20,510,565</u>	<u>\$ 19,773,870</u>

Commitments - note 10

Approved by Board of Directors,

Chairperson

Treasurer

# CUPS Calgary Society

(formerly Calgary Urban Project Society (CUPS))

## Statement of Operations and Changes in Fund Balances

Year Ended March 31, 2019

	Operating Fund	Internally Restricted Funds	Capital Assets Fund	2019	2018
Revenue					
Grant	\$ 13,901,699	\$ -	\$ 76,849	\$ 13,978,548	\$ 13,044,921
Fundraising	1,115,907	-	-	1,115,907	1,199,793
Donation	989,275	-	37,861	1,027,136	833,468
Service	419,121	-	-	419,121	407,513
Interest and other	<u>107,908</u>	<u>16,658</u>	<u>-</u>	<u>124,566</u>	<u>197,835</u>
	<u>16,533,910</u>	<u>16,658</u>	<u>114,710</u>	<u>16,665,278</u>	<u>15,683,530</u>
Expenses					
Program wages, benefits and contracted services	8,527,442	-	-	8,527,442	7,984,470
Program services	4,448,536	-	-	4,448,536	3,432,926
Fundraising	597,224	-	-	597,224	757,431
General and administrative (note 8)	2,511,349	-	-	2,511,349	2,490,178
Amortization	<u>-</u>	<u>-</u>	<u>546,860</u>	<u>546,860</u>	<u>611,653</u>
	<u>16,084,551</u>	<u>-</u>	<u>546,860</u>	<u>16,631,411</u>	<u>15,276,658</u>
Excess (deficiency) of revenue over expenses	449,359	16,658	(432,150)	33,867	406,872
Fund balances, beginning of year	2,152,734	1,024,237	14,554,973	17,731,944	17,325,072
Transfer of fund balances	<u>(87,000)</u>	<u>87,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,515,093</u>	<u>\$ 1,127,895</u>	<u>\$ 14,122,823</u>	<u>\$ 17,765,811</u>	<u>\$ 17,731,944</u>

# CUPS Calgary Society

(formerly Calgary Urban Project Society (CUPS))

## Statement of Cash Flows

Year Ended March 31, 2019

	2019	2018
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenses	\$ 33,867	\$ 406,872
Add item not affecting cash		
Amortization	<u>546,860</u>	<u>611,653</u>
	<u>580,727</u>	<u>1,018,525</u>
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(8,860)	(3,400)
Prepaid expenses	(14,958)	92,469
Accounts payable	108,195	279,201
Designated contributions	<u>534,807</u>	<u>70,328</u>
	<u>619,184</u>	<u>438,598</u>
	<u>1,199,911</u>	<u>1,457,123</u>
Financing activity		
Repayment of obligations under capital lease	<u>(7,902)</u>	<u>-</u>
Investing activities		
Purchase of capital assets	(276,829)	(232,846)
Purchase of investments	<u>(15,562)</u>	<u>(161,369)</u>
	<u>(292,391)</u>	<u>(394,215)</u>
Increase in cash	899,618	1,062,908
Cash, beginning of year	<u>3,264,211</u>	<u>2,201,303</u>
Cash, end of year	<u>\$ 4,163,829</u>	<u>\$ 3,264,211</u>
Non-cash transaction:		
Capital assets acquired by capital lease	<u>\$ 67,728</u>	<u>\$ -</u>

# **CUPS Calgary Society**

*(formerly Calgary Urban Project Society (CUPS))*

## **Notes to the Financial Statements For the Year Ended March 31, 2019**

### **NOTE 1 – NATURE OF OPERATION**

CUPS Calgary Society (“CUPS” or the “Society”) was incorporated under the *Alberta Societies Act* on September 13, 1988.

The Society changed its legal name to CUPS Calgary Society effective January 14, 2019.

CUPS changes the lives of low-income and homeless Calgarians by addressing the root causes of their challenges. Using science, CUPS addresses trauma, manages adversity and builds lifelong resilience that spans generations.

The Society is a registered charity and, accordingly, exempt from income taxes and authorized to issue donation receipts for income tax purposes.

### **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### **Fund Accounting**

These financial statements are prepared on a restricted fund accounting basis that includes the following funds:

Operating Fund - accounts for the assets, liabilities, revenues and expenses related to the Society's delivery of programs and operating activities.

Internally Restricted Funds - accounts for the assets, liabilities, revenues and expenses related to amounts internally restricted by the board of directors for future use.

Capital Assets Fund - accounts for the assets, liabilities, revenues and expenses related to the facilities and equipment.

#### **Revenue Recognition**

Unrestricted contributions are recognized as revenue of the operating fund in the year in which the amount can be reasonably estimated and collection is reasonably assured.

Designated contributions related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Designated contributions related to capital assets are recognized as revenue of the capital assets fund when the amount can be reasonably estimated and collection is reasonably assured.

Interest and investment income is recognized as revenue when earned.



# **CUPS Calgary Society**

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## **Notes to the Financial Statements For the Year Ended March 31, 2019**

Revenue from special events is recognized when the event has taken place and collection is reasonably assured.

Donations of investments are recorded at fair value when a fair value can be reasonably determined.

Revenue for programs and services is recorded when the program or service has been provided.

### **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 business.

Volunteers contribute time and services to the programs of the Society. Contributed services are not recognized in the financial statements as their fair market value cannot reasonably be determined.

### **Capital Assets**

Capital assets are recorded at cost and are amortized over the estimated useful life on a straight-line basis as follows:

Buildings	40 years
Building improvements	25 years
Furniture and equipment	5 years
Furniture and equipment under capital lease	5 years
Automobiles	5 years

Capital assets are tested for impairment whenever a change in events or circumstances indicates that the 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. Any resulting impairment loss is recognized in the period incurred.

### **Financial instruments**

The Society's financial instruments consist of cash, accounts receivable, investments, and accounts payable and accrued liabilities. All financial instruments, other than cash and cash equivalents and investments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financing fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument or shorter, dependent upon the expected period of cash flow. Cash and cash equivalents and investments are measured at fair value.

When there is an indication of impairment and such impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value increases provided the reversal is no greater than the amount that had been previously reported as a reduction in the asset and does not exceed original cost.

# **CUPS Calgary Society**

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## **Notes to the Financial Statements For the Year Ended March 31, 2019**

Transacting in financial instruments exposes the Society to certain financial risks and uncertainties (note 11).

### **Revenue and Cost Allocations**

Fundraising activities and special events are ongoing throughout the year in order to raise additional funding to support the activities of the Society. The revenues and costs of special events are allocated to programs based on the stated intention or general purpose of the special event. Fundraising activities which are general in nature are allocated to the programs based on management's discretion.

The Society incurs a number of general overhead revenue and expenses that are common to the administration of the organization and each of its programs. The Society allocates its general overhead expenses on the following basis:

- Human resources costs, IT support, office supplies, telephone and courier, mileage and parking, meals, training and development, program supplies, client supports, and vehicle costs are based on staff headcount.
- Facilities and infrastructure costs are based on an estimate of the square footage used by each program.
- Professional fees, insurance, advertising and promotion, website, and bank charges costs are based on revenue earned by each program.

### **Use of Estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Areas requiring the use of management estimates relate to the determination of collectability of accounts receivable, useful lives and potential impairment of capital assets and valuation of accrued liabilities. Actual results could differ from these estimates.

Amounts accrued as receivable pursuant to funding contracts and billing invoices associated with the Society's programs are based on management's best estimates of the amounts to be received for the periods in question upon the actual finalization of the associated claims and/or contract processes.

The valuation of deferred contributions is based on management's estimate of the unspent contributions and the applicability of expenditures to meet the funding restrictions.

The valuation of capital assets is based on management's best estimates of the future recoverability of these assets. The amounts recorded for amortization of capital assets are based on management's best estimates of the remaining useful lives and period of future benefit of the related assets.

The valuation of accrued liabilities is based on management's best estimate of expenses accrued during the year that will be payable in future periods.

# CUPS Calgary Society

(formerly Calgary Urban Project Society (CUPS))

## Notes to the Financial Statements For the Year Ended March 31, 2019

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.

### NOTE 3 – INTERNALLY RESTRICTED FUNDS

The Board of Directors has restricted the following funds which are reserved for long-term objectives and included in investments:

	2019	2018
Special Projects Fund	\$ 626,942	\$ 617,024
Building Life Cycle Reserve	412,857	407,213
	<b>\$ 1,039,799</b>	<b>\$ 1,024,237</b>

Investments at March 31, 2018 consist of money market funds. Investments at March 31, 2019 consist of Canadian bank paper and principal protected notes that bear interest at rates ranging from 2.05% to 9.523% and mature or are callable between May 7, 2019 and July 25, 2024.

### NOTE 4 – CAPITAL ASSETS

	2019			2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 4,863,875	\$ -	\$ 4,863,875	\$ 4,863,875
Buildings	4,731,065	(883,248)	3,847,817	3,966,115
Building improvements	8,188,706	(2,172,716)	6,015,990	6,231,767
Furniture and equipment	2,035,069	(1,657,215)	377,854	241,237
Furniture and equipment under capital lease	67,728	(7,902)	59,826	-
Automobiles	408,160	(408,160)	0	4,845
	<b>\$ 20,226,875</b>	<b>\$ (5,121,339)</b>	<b>\$ 15,105,536</b>	<b>\$ 15,307,839</b>

### NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$5,065 (2018 - \$4,385) relating to payroll source deductions payable.

### NOTE 6 – OBLIGATIONS UNDER CAPITAL LEASE

	2019	2018
Capital lease contracts	\$ 59,826	\$ -
Less: portion due within one year	13,545	-
<b>Long-term portion</b>	<b>\$ 46,281</b>	<b>\$ -</b>

# CUPS Calgary Society

(formerly Calgary Urban Project Society (CUPS))

## Notes to the Financial Statements For the Year Ended March 31, 2019

The Organization's obligations under capital lease are comprised of one (2018 – nil) contract that bears interest at 2.15%. The contract is repayable in monthly instalments of \$1,046 and matures September 2023.

Payments due on obligation under capital lease are as follows:

2020	\$ 14,807
2021	14,807
2022	14,807
2023	14,807
2024	<u>8,756</u>
	67,984
Payment representing interest	<u>(8,158)</u>
	<u>\$ 59,826</u>

### NOTE 7 – DESIGNATED CONTRIBUTIONS

	2019	2018
Balance, at beginning of year	\$ 1,415,488	\$ 1,345,160
Contributions received during year	13,279,264	9,991,099
Amount utilized to meet expenses	<u>(12,744,457)</u>	<u>(9,920,771)</u>
Balance, at end of year	<b>\$ 1,950,295</b>	<b>\$ 1,415,488</b>

### NOTE 8 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2019	2018
Administrative wages, benefits and contracted services	\$ 1,948,019	\$ 1,720,038
Office	563,330	770,140
	<b>\$ 2,511,349</b>	<b>\$ 2,490,178</b>

### NOTE 9 – EMPLOYEE FUTURE BENEFITS

The Society contributes to a registered retirement savings plan for the benefit of its employees. During the year contributions of \$231,984 (2018 - \$104,018) were deposited to the defined contribution plan and expensed as employee benefits.

# CUPS Calgary Society

(formerly Calgary Urban Project Society (CUPS))

## Notes to the Financial Statements For the Year Ended March 31, 2019

### NOTE 10 – COMMITMENTS

The Society has entered into office equipment and facility equipment leases in the normal course of operations. These leases vary in payment terms and duration. Total payments required over the next five years and thereafter under the terms of the lease agreements are summarized as follows:

2020	\$ 66,206
2021	20,280
2022	11,546
2023	1,552
2024	-
	<b>\$ 99,584</b>

### NOTE 11 – FINANCIAL INSTRUMENTS

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, liquidity risk and market risk.

#### a) Credit Risk

Credit risk is the risk of financial loss to the Society if a customer fails to meet their contractual obligations and this risk arises principally from the Society's cash and accounts receivable.

The Society minimizes its credit risk relating to cash by placing its cash with major financial institutions.

The Society's exposure to credit risk with its customers is influenced by the individual characteristics of each customer. The Society's customers for the most part are government agencies and donors. Over the last five years, the Society has not suffered any material credit losses with any of its customers.

The Society limits its exposure to credit risks from customers by dealing only with credit worthy customers. Management does not expect any customers to fail in meeting their obligations. Management does not expect any government agencies to fail in meeting their obligations.

The carrying amount of cash and accounts receivable represents the maximum exposure limit.

#### b) Liquidity Risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Society manages its liquidity risk through maintaining appropriate balances of cash and investments.

# **CUPS Calgary Society**

*(formerly Calgary Urban Project Society (CUPS))*

## **Notes to the Financial Statements For the Year Ended March 31, 2019**

### **c) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. The Society is exposed to market risk to the extent that short and long-term investments are affected by the securities traded in the market.

### **NOTE 12 – COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation. The updated presentation of the financial statements is inclusive of all operations of the organization whereas the previous presentation separated operations by service area. The updated presentation aligns with the organization's strategic plan to provide integrated care to its clients.

### **NOTE 13 – KEY CASE MANAGEMENT, GRADUATE RENT SUBSIDY, INCLUSIVE HOUSING, AND GRADUATE HOUSING PROGRAMS**

The Key Case Management Program is for adults who have lived in a shelter for over a 1 year period, or up to three times in the past four years. The program integrates a singles case management program while finding safe and appropriate market rate housing for participants.

The Graduate Rent Subsidy Program is to assist all Calgary Homeless Foundation housing first case management programs. Many programs find that their participants have achieved stability in their housing but are financially unable to maintain housing without subsidized rent.

The Inclusive Housing Program was implemented to provide community development at 4 buildings located throughout the city. The program provides a rental subsidy and works closely with tenants to increase their social networks and community interaction by supporting involvement in community.

The Graduate Housing Program enhances the flow and movement of clients through the Homeless System of Care by providing increased opportunities for clients who are living independently and ready to graduate beyond intensive case management programs.

# CUPS Calgary Society

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## Notes to the Financial Statements For the Year Ended March 31, 2019

The following tables summarize the financial results of the Key Case Management, Graduate Rent, Inclusive Housing, and Graduate Housing programs.

	Key Case Management Program 2019	Graduated Rent Subsidy Program 2019	Inclusive Housing Program 2019	Graduate Housing Program 2019
<b>Revenue</b>				
Calgary Homeless Foundation	\$ 1,535,650	\$ 1,369,320	\$ 1,189,270	\$ 1,610,200
<b>Expenditures</b>				
Start up costs	4,231	-	-	-
Staff costs	594,211	194,645	368,965	252,963
Client costs	757,184	894,040	629,513	697,161
Administration costs	147,928	136,931	115,200	158,520
Total operating expenses	1,503,554	1,225,616	1,113,678	1,108,644
<b>Excess of revenue over expenditures</b>	<b>\$ 32,096</b>	<b>\$ 143,704</b>	<b>\$ 75,592</b>	<b>\$ 501,556</b>