

CALGARY ALPHA HOUSE SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Calgary Alpha House Society:

I have audited the accompanying financial statements of Calgary Alpha House Society ("the Society"), which comprise the statements of financial position as at March 31, 2015, and the statements of operations, changes in fund balances, and cash flows for the year ended March 31, 2015, 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 (ASNPO), 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

In common with many charitable societies, Calgary Alpha House Society derives donations and fundraising revenue from sources the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the Society.

Therefore, I am not able to determine whether, as at March 31, 2015 and for the year ending March 31, 2015, any adjustments might be necessary to revenue and increase or (decrease) in excess (deficiency) of revenues over expenses, in revenue reported in the statement of cash flows and assets and fund balances on the statement of financial position.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Calgary Alpha House Society as at March 31, 2015, and its financial performance and its cash flows for the year ended March 31, 2015 in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
June 29, 2015

Deborah V. Walker Professional Corporation
Certified General Accountant




**CALGARY ALPHA HOUSE SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015**

	Operating	Capital	Total 2015	Total 2014
ASSETS				
Current				
Cash	\$ 590,346	\$ 2,309	\$ 592,655	\$ 514,527
Restricted cash - (Note 4)	977,567	82,306	1,059,873	1,479,850
Due from capital fund	2,355		2,355	4,916
Goods and service tax recoverable	19,610	-	19,610	17,061
Accounts receivable	-	-	-	125,000
Employee advances	828	-	828	6,787
Prepaid expenses	<u>86,273</u>	<u>-</u>	<u>86,273</u>	<u>60,684</u>
	1,676,979	84,615	1,761,594	2,208,825
Capital assets (Note 3)	<u>-</u>	<u>355,065</u>	<u>355,065</u>	<u>379,662</u>
	<u>\$ 1,676,979</u>	<u>\$ 439,680</u>	<u>\$ 2,116,659</u>	<u>\$ 2,588,487</u>
 LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 208,194	\$ -	\$ 208,194	\$ 211,080
Wages payable	489,401	-	489,401	385,313
Employee deductions payable	1,817	-	1,817	54,595
Due to operating fund	-	2,355	2,355	4,916
Deferred contributions (Note 4)	<u>977,567</u>	<u>82,306</u>	<u>1,059,873</u>	<u>1,569,427</u>
	1,676,979	84,661	1,761,640	2,225,331
 FUND BALANCES				
Invested in capital assets	-	355,065	355,065	379,662
Unrestricted	<u>-</u>	<u>(46)</u>	<u>(46)</u>	<u>(16,506)</u>
	<u>-</u>	<u>355,019</u>	<u>355,019</u>	<u>363,156</u>
	<u>\$ 1,676,979</u>	<u>\$ 439,680</u>	<u>\$ 2,116,659</u>	<u>\$ 2,588,487</u>

APPROVED BY THE BOARD



Director



Director

**CALGARY ALPHA HOUSE SOCIETY
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2015**

	Operating	Capital	Total 2015	Total 2014
REVENUE				
Calgary Homeless Foundation	\$ 5,760,318	\$ 5,119	\$ 5,765,437	\$ 5,145,293
Alberta Human Services	2,116,029	8,512	2,124,541	2,084,461
Alberta Health Services	1,286,090	21,439	1,307,529	1,176,656
Grant income	463,559	9,095	472,654	431,986
Rental income	390,896	-	390,896	258,015
Donations, fundraising and other	187,593	9,053	196,646	193,935
Casino revenue	-	-	-	67,160
	<u>10,204,485</u>	<u>53,218</u>	<u>10,257,703</u>	<u>9,357,506</u>
DIRECT COSTS				
Wages and benefits	6,946,169	-	6,946,169	6,477,467
Supplementary staff benefits	438,102	-	438,102	370,275
Staff development and recognition	80,941	-	80,941	83,924
	<u>7,465,212</u>	<u>-</u>	<u>7,465,212</u>	<u>6,931,666</u>
Excess revenue before operating and admin	<u>2,739,273</u>	<u>53,218</u>	<u>2,792,491</u>	<u>2,425,840</u>
OPERATING EXPENSES				
Damage deposit and rent subsidies	1,400,483	-	1,400,483	1,138,766
Program expense	525,045	-	525,045	245,167
Food	198,073	-	198,073	177,516
Automotive	120,303	-	120,303	130,809
Building maintenance and insurance	51,376	-	51,376	104,528
Amortization	-	77,770	77,770	85,861
Client costs - transportation and supplies	111,116	-	111,116	84,937
Consultants and technical support	88,389	-	88,389	79,490
Fundraising and promotion	24,870	-	24,870	50,833
Lease costs and other	17,382	-	17,382	15,789
	<u>2,537,037</u>	<u>77,770</u>	<u>2,614,807</u>	<u>2,113,696</u>
ADMINISTRATION EXPENSES				
Office and sundry	75,005	-	75,005	88,387
Professional fees	34,306	-	34,306	32,800
Office rent and utilities	42,375	-	42,375	22,502
Telephone	12,613	-	12,613	21,097
Travel and parking	10,103	-	10,103	16,974
Bank charges and payroll service fees	9,998	-	9,998	9,332
Board expense	1,421	-	1,421	3,400
	<u>185,821</u>	<u>-</u>	<u>185,821</u>	<u>194,492</u>
Total operating and administration expenses	<u>2,722,858</u>	<u>77,770</u>	<u>2,800,628</u>	<u>2,308,188</u>
EXTRAORDINARY ITEM (Note 8)	-	-	-	(30,559)
Excess of revenues over expenses	<u>\$ 16,415</u>	<u>\$ (24,552)</u>	<u>\$ (8,137)</u>	<u>\$ 87,093</u>

The accompanying notes are integral to the financial statements

**CALGARY ALPHA HOUSE SOCIETY
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2015**

	Operating	Capital	Total 2015	Total 2014
Net assets, beginning balance	\$ (16,415)	\$ 379,571	\$ 363,156	\$ 276,063
Excess of revenues over expenses	<u>16,415</u>	<u>(24,552)</u>	<u>(8,137)</u>	<u>87,093</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 355,019</u>	<u>\$ 355,019</u>	<u>\$ 363,156</u>

The accompanying notes are integral to the financial statements

**CALGARY ALPHA HOUSE SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015**

	Operating	Capital	Total 2015	Total 2014
Operating activities				
Calgary Homeless Foundation	\$ 5,249,795	\$ 5,119	\$ 5,254,914	\$ 4,990,081
Alberta Human Services	2,116,029	1,241	2,117,270	2,066,729
Alberta Health Services	1,246,964	21,439	1,268,403	1,237,467
Donations, fundraising rental & other	749,515	9,053	758,568	675,004
Grant income	463,559	9,095	472,654	427,448
Casino proceeds	35	-	35	66,280
Supplies and services	(2,834,823)	-	(2,834,823)	(2,333,854)
Wages and benefits	(7,327,002)	-	(7,327,002)	(6,794,450)
Interest income	<u>1,307</u>	<u>-</u>	<u>1,307</u>	<u>1,253</u>
Cash provided by operations	(334,621)	45,947	(288,674)	335,958
Investment activities				
Capital assets purchased	<u>-</u>	<u>(53,175)</u>	<u>(53,175)</u>	<u>(202,973)</u>
Cash used provided by investing	-	(53,175)	(53,175)	(202,973)
Transfers	(7,270)	7,270	-	-
Increase (decrease) in cash during the year	(341,891)	42	(341,849)	132,985
Cash, beginning of year	<u>1,909,805</u>	<u>84,572</u>	<u>1,994,377</u>	<u>1,861,392</u>
Cash, end of year	<u>\$ 1,567,914</u>	<u>\$ 84,614</u>	<u>\$ 1,652,528</u>	<u>\$ 1,994,377</u>
Cash is represented by:				
Cash			\$ 592,655	\$ 514,527
Restricted cash			<u>1,059,873</u>	<u>1,479,850</u>
			<u>\$ 1,652,528</u>	<u>\$ 1,994,377</u>

The accompanying notes are integral to the financial statements

**CALGARY ALPHA HOUSE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

1. Purpose of the Organization

The Calgary Alpha House Society (the Society) was incorporated under the Societies Act of Alberta on March 13, 1981 as a non-profit organization. The Society provides services of detoxification, shelter and outreach and housing programs in the field of alcohol and drug addictions. The Society was registered on April 1, 1983 as a registered Charity under the Income Tax Act.

2. Significant Accounting Policies

The financial statements of the Society have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) on a going-concern basis that assumes that the Society will be able to realize its assets and discharge its liabilities in the normal course of operations.

Fund Accounting

Calgary Alpha House Society follows the fund method of accounting for contributions.

The Operating Fund accounts for revenues and expenses related to program delivery and administrative activities.

The Capital Fund reports the assets, liabilities, revenues, and expenses related to the Society's capital assets.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and term deposits that mature within three months from the date of acquisition. Cash and cash equivalents includes restricted cash and excludes term deposits that are unavailable for current use because they are pledged as security.

Revenue Recognition

Calgary Alpha House Society follows the deferral method of accounting for contributions. The Society recognizes revenue as follows:

- a) Restricted and designated contributions are recognized as revenue in the year in which the related expenses are incurred.
- b) Donations of goods or services in kind are recognized as revenue and receipted when the fair market value can be readily determined. The Society receives food donated on a regular basis. It is difficult to place a value on this food and thus it is not recorded as a donation in kind nor expensed in the Society's books. Few receipts for the food donations were issued. Management estimates the value of food donated annually, to be approximately \$20,000.
- c) Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- d) Capital contributions are recognized as revenue the year in which the funds are spent.

**CALGARY ALPHA HOUSE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

Capital Assets

The Society's accounting policy capitalizes assets with a cost greater than \$500. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Automotive	-	7 years straight line
Furniture and fixtures	-	10 years straight line
Computer equipment	-	4 years straight line

Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The amount of the impairment loss, if any, is the excess of carrying value over its fair value. When assets are sold or disposed the original costs are removed from the accounts and the gain or loss is charged to the Capital Fund. Amortization expense is reported in the Capital Fund.

Financial Instruments

Financial assets and liabilities are measured initially at fair value. Subsequent measurement is at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost consist of cash, term deposits, accounts receivable.

Financial liabilities measured at amortized cost consist of the bank overdraft, accounts payable and accrued liabilities and wages payable.

Contributed Materials and Services

The organization does not record in its books of account the value of contributed materials and services.

3. Capital Assets

Capital assets consist of the following:

	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
Furniture and fixtures	\$ 404,488	\$ 154,775	\$ 249,713	\$ 253,885
Automotive	221,388	143,689	77,699	101,453
Computer equipment	65,093	53,895	11,198	10,139
Leasehold improvements	<u>25,002</u>	<u>8,547</u>	<u>16,455</u>	<u>14,185</u>
	<u>\$ 715,971</u>	<u>\$ 360,906</u>	<u>\$ 355,065</u>	<u>\$ 379,662</u>

**CALGARY ALPHA HOUSE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

4. Deferred Contributions

Deferred contributions represent unspent grants externally restricted for specific purposes and are shown on the statement of financial position in a separate line as restricted cash. The deferred contributions are:

	Operating	Capital	2015	2014
Calgary Homeless Foundation	\$ 394,033	\$ -	\$ 394,033	\$ 904,556
Donations/fundraising	247,684	-	247,684	253,262
Herald Christmas program	115,958	-	115,958	126,283
Alberta Human Services	-	82,306	82,306	89,577
Alberta Health Services	58,085	-	58,085	97,211
Casino	67,159	-	67,159	67,124
Other programs	60,736	-	60,736	27,748
Rent	31,396	-	31,396	-
Restricted client dental	2,516	-	2,516	2,516
Adopt-a-veteran & Poppy Fund	-	-	-	1,150
	<u>\$ 977,567</u>	<u>\$ 82,306</u>	<u>\$ 1,059,873</u>	<u>\$ 1,569,427</u>

5. Commitments, Agreements and Contingent Liabilities

Commitments

November 2011 the Society entered into a 60 month lease for a photocopier requiring monthly payments of \$409. March 2012 the Society entered into a 60 month lease for a photocopier requiring monthly payments of \$82. August 2012 the Society entered into a 60 month lease for a photocopier requiring monthly payments of \$82. October 2012 the Society entered into a 60 month lease for a photocopier requiring monthly payments of \$82. Future obligations for the next 5 year are as follows:

2015	\$	7,860
2016	\$	7,860
2017	\$	6,224
2018	\$	984
2019	\$	-

Rental Agreements

Under the terms of a lease agreement with the Province of Alberta (Alberta Infrastructure), the Society pays rent on its main operating facility, in the nominal amount of \$1 annually. The fair market value of the rent, operating costs and maintenance is not easily estimated. The fair market value of the rent, operating costs and maintenance, donated by Alberta Infrastructure, is neither recorded as donation income nor expensed in the Society's books and records. Alberta Infrastructure holds title to the building. The Society entered into the lease agreement in August 2009 for the above nominal fee for 10 years plus two 5 year options.

The Society entered into a 1 year lease of three buildings with the Calgary Homeless Foundation to begin April 1, 2015. The lease requires monthly payments of \$10,125 and \$27,445 for all 3 buildings.

**CALGARY ALPHA HOUSE SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015**

Contingent Liability

The Alberta Gaming & Liquor Commission "AGLC" requires the distribution of gaming profits to be made within 24 months of receipt of the funds. If the Society fails to comply with the rules they will be subject to AGLC Board-directed sanctions, such as suspension of gaming licenses, revocation of gaming licenses, and/or directives to donate all gaming funds to other eligible charitable organizations. The Society earned \$67,992 in August 2012 and \$66,270 in February 2014 of which \$67,159 is still required to be spent. Management is confident the Society will comply with the spending requirement.

6. Economic Dependence

Approximately 13% (2014 - 13%) of the Society's revenue was derived from the Alberta Health Services funding. Approximately 57% (2014 - 55%) of the Society's revenue was derived from Calgary Homeless Foundation. Also, approximately 23% (2014 - 23%) of the Society's revenue was derived from Alberta Human Services. Should Alberta Health Services, Calgary Homeless Foundation or Alberta Human Services significantly curtail the amount of funding to the Society, management is of the opinion that continued viability of operations or certain programs would be in question.

7. Financial Instruments

The Society's financial instruments recognized in the statement of financial position and included in working capital consist of cash, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Society is not exposed to significant credit risk arising from these financial instruments. The fair values of these instruments approximate their carrying value.

8. Extraordinary Event

In June of 2013 the Society experienced a flood of the building which housed the administrative staff, detox, and shelter. The flooding caused severe damage to the ground level and parkade of the building. The Society has lost most furniture and equipment that was in the building at the time of the flood and subsequently has written off those assets.