

POTENTIAL PLACE SOCIETY OF CALGARY
Financial Statements
March 31, 2018

POTENTIAL PLACE SOCIETY OF CALGARY
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For the Year Ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Potential Place Society of Calgary:

We have audited the accompanying financial statements of Potential Place Society of Calgary, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in net assets 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.

Auditor's 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 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.

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 Potential Place Society of Calgary as at March 31, 2018 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.

Calgary, Alberta
June 27, 2018



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POTENTIAL PLACE SOCIETY OF CALGARY
Statement of Financial Position
As at March 31, 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents	\$ 270,626	\$ 261,762
Restricted cash	62,550	48,299
Accounts receivable	649	949
Goods and services tax receivable	9,029	8,082
Prepaid expenses	28,550	27,025
	<u>371,404</u>	<u>346,117</u>
Property and equipment (Note 3)	<u>1,601,248</u>	<u>1,675,518</u>
	<u>\$ 1,972,652</u>	<u>\$ 2,021,635</u>
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	\$ 66,968	\$ 64,365
Security deposits	11,255	12,725
Current portion of lease inducement (Note 6)	5,605	5,605
	<u>83,828</u>	<u>82,695</u>
Deferred contributions		
Related to operation (Note 4)	93,206	94,539
Related to property and equipment (Note 5)	575,563	622,580
	<u>668,769</u>	<u>717,119</u>
Lease inducement (Note 6)	<u>10,276</u>	<u>15,881</u>
	<u>762,873</u>	<u>815,695</u>
Net Assets		
Invested in property and equipment	1,025,686	1,052,938
Internally restricted (Note 7)	6,000	6,000
Unrestricted	178,093	147,002
	<u>1,209,779</u>	<u>1,205,940</u>
	<u>\$ 1,972,652</u>	<u>\$ 2,021,635</u>

On behalf of the Board


 _____ Director

 _____ Director

POTENTIAL PLACE SOCIETY OF CALGARY
Statement of Operations
For the Year Ended March 31, 2018

	2018	2017
Revenue		
Grants - Alberta Health Services	\$ 675,348	\$ 683,866
Housing revenue	289,937	328,202
Casino	66,219	41,758
Government funding	48,002	34,234
Recognition of deferred contributions related to property and equipment	46,797	50,994
Donations	28,940	21,379
Food services	17,452	18,835
Fundraising	6,112	4,168
Insurance proceeds received	5,287	3,414
Donation in kind	1,180	558
Interest from other sources	388	358
Membership dues	165	115
Other income	-	1,171
	1,185,827	1,189,052
Expenses		
Salaries and benefits	663,998	693,631
Rent	155,345	149,923
General and administrative	107,072	67,802
Amortization	74,270	81,909
Repairs and maintenance	56,387	63,172
Program costs	41,127	34,629
Professional fees	24,949	20,416
Utilities	21,582	21,471
Advertising and promotion	17,043	17,938
Food services	16,417	12,116
Education program	3,083	1,839
Other expenses	715	-
	1,181,988	1,164,846
Excess of revenue over expenses	\$ 3,839	\$ 24,206

POTENTIAL PLACE SOCIETY OF CALGARY**Statement of Changes in Net Assets****For the Year Ended March 31, 2018**

	Invested in property and equipment	Internally restricted	Unrestricted	2018	2017
Net assets - beginning of year	\$ 1,052,938	\$ 6,000	\$ 147,002	\$ 1,205,940	\$ 1,181,734
Excess of revenue over expenses	(27,252)	-	31,091	3,839	24,206
Net assets - end of year	\$ 1,025,686	\$ 6,000	\$ 178,093	\$ 1,209,779	\$ 1,205,940

See notes to financial statements

POTENTIAL PLACE SOCIETY OF CALGARY
Statement of Cash Flows
For the Year Ended March 31, 2018

	2018	2017
Operating activities		
Cash receipts from funders and donors	\$ 1,134,971	\$ 1,167,607
Cash paid to suppliers and employees	(1,112,244)	(1,061,099)
Interest received	388	358
Cash flows from operating activities	23,115	106,866
Investing activity		
Purchase of equipment	-	(2,379)
Increase in cash	23,115	104,487
Cash and cash equivalents - beginning of year	310,061	205,574
Cash and cash equivalents - end of year	333,176	310,061
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 270,626	\$ 261,762
Restricted cash	62,550	48,299
	\$ 333,176	\$ 310,061

POTENTIAL PLACE SOCIETY OF CALGARY

Notes to Financial Statements

For the Year Ended March 31, 2018

1. Purpose of the organization

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.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Canada Handbook, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

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 expenses are incurred. 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.

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.

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.

Property and equipment

Property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value the date of contribution. Amortization is calculated using the following rates and methods:

Apartment buildings	4%	declining balance
Leasehold improvements	term of lease	straight-line
Computer equipment	30%	declining balance
Furniture and equipment	20%	declining balance
Motor vehicles	30%	declining balance
Kitchen equipment	20%	declining balance

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

(continues)

POTENTIAL PLACE SOCIETY OF CALGARY
Notes to Financial Statements
For the Year Ended March 31, 2018

2. Summary of significant accounting policies (*continued*)

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

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.

Contributed materials

Contributed materials are recognized in the financial statements only when their fair value can be reasonably determined and they would have been purchased to be used in the normal course of the Society's operations.

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.

The financial assets measured at amortized cost include cash and cash equivalents, and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and security deposits.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Property and equipment

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 748,000	\$ -	\$ 748,000	\$ 748,000
Land improvements	265,311	185,044	80,267	106,798
Buildings	1,171,422	450,622	720,800	750,833
Equipment	113,156	92,109	21,047	26,163
Motor vehicles	46,170	25,887	20,283	29,252
Computer equipment	56,620	50,635	5,985	8,390
Kitchen equipment	28,037	23,171	4,866	6,082
	\$ 2,428,716	\$ 827,468	\$ 1,601,248	\$ 1,675,518

POTENTIAL PLACE SOCIETY OF CALGARY
Notes to Financial Statements
For the Year Ended March 31, 2018

4. Deferred contributions

Related to operations

Deferred contributions related to operations represent funding dollars restricted by agreement upon receipt. The Casino which makes up a part of the ending balance as of March 31, 2018, is restricted to specific expenses in accordance with approvals granted on application by the Alberta Gaming and Liquor Commission.

	Beginning Balance	Addition	Utilization	Ending Balance
Casino	\$ 35,574	\$ 81,720	\$ 65,999	\$ 51,295
Calgary Foundation	28,965	-	19,554	9,411
Alberta Government - Communities Initiative Program (CIP)	30,000	-	22,500	7,500
Britt Wilson Event.	-	25,000	-	25,000
	<u>\$ 94,539</u>	<u>\$ 106,720</u>	<u>\$ 108,053</u>	<u>\$ 93,206</u>

5. 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	\$ 525,149	\$ -	\$ 21,006	\$ 504,143
Leasehold improvements	58,032	-	14,406	43,626
Vehicle	27,905	-	8,384	19,521
Equipment	7,593	-	1,998	5,595
Appliances	335	-	67	268
Computer	3,566	-	1,156	2,410
	<u>\$ 622,580</u>	<u>\$ -</u>	<u>\$ 47,017</u>	<u>\$ 575,563</u>

POTENTIAL PLACE SOCIETY OF CALGARY
Notes to Financial Statements
For the Year Ended March 31, 2018

6. Lease inducement

	2018	2017
Deferred lease inducement, beginning	\$ 21,486	\$ 27,091
Current portion of leasehold	(5,605)	(5,605)
Subtotal	15,881	21,486
Less current portion	(5,605)	(5,605)
Long term deferred lease inducement	\$ 10,276	\$ 15,881

At the beginning of the lease, the landlord offered the Society three months of free rent beginning on November 1, 2010. As per the lease agreement, the landlord further paid an amount upon the leasehold improvement completion to reimburse the costs. These lease inducements will be recognized as revenue over the term of the lease, which will be January 2021.

7. Internally restricted net assets

During the current year, the Board approved \$nil (2017 - \$6,000) as reserve funds for member education purposes. Internally restricted funds cannot be spent without board approval.

8. Commitments

The Society has lease agreement for its office premises. The Society also has a lease agreement for a copy machine. Future minimum annual lease payments for the next three years are as follows:

2019	79,277
2020	81,585
2021	67,988

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.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.