

AUDITED FINANCIAL STATEMENTS

For the year ended March 31, 2015



Independent Auditors' Report

To the Members
Calgary Urban Project Society (CUPS)

We have audited the accompanying financial statements of Calgary Urban Project Society (CUPS), which comprise the statement of financial position as at March 31, 2015, and the statements of operations and changes in fund balances 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.

Auditors' 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 auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and fund balances.

Qualified Opinion

In our 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 Urban Project Society (CUPS) as at March 31, 2015, and the results of its operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
June 16, 2015

Calgary Urban Project Society (CUPS)

(Incorporated under the laws of Alberta)

Statement of Financial Position

March 31, 2015

	Operating Fund	Special Projects Fund	Capital Assets Fund	Eliminations	2015	2014
Assets						
Current assets						
Cash and cash equivalents (note 3)	\$ 1,078,970	\$ 1,228,125	\$ -	\$ -	\$ 2,307,095	\$ 2,352,242
Accounts receivable	179,695	-	-	-	179,695	108,299
Prepaid expenses	175,632	-	-	-	175,632	177,477
Due from fund	<u>2,357,845</u>	<u>1,277,625</u>	<u>286,791</u>	<u>3,922,261</u>	-	-
	3,792,142	2,505,750	286,791	3,922,261	2,662,422	2,638,018
Investments	-	-	-	-	-	359,810
Capital assets (note 4)	-	-	<u>16,927,571</u>	-	<u>16,927,571</u>	<u>17,322,611</u>
	<u>\$ 3,792,142</u>	<u>\$ 2,505,750</u>	<u>\$ 17,214,362</u>	<u>\$ 3,922,261</u>	<u>\$ 19,589,993</u>	<u>\$ 20,320,439</u>
Liabilities						
Current liabilities						
Accounts payable (note 5)	\$ 492,102	\$ -	\$ -	\$ -	\$ 492,102	\$ 460,294
Designated contributions (note 6)	1,561,793	-	-	-	1,561,793	1,708,397
Due to fund	<u>1,470,202</u>	<u>1,582,091</u>	<u>869,968</u>	<u>3,922,261</u>	-	-
	<u>3,524,097</u>	<u>1,582,091</u>	<u>869,968</u>	<u>3,922,261</u>	<u>2,053,895</u>	<u>2,168,691</u>
Members Equity						
Investments in capital assets	-	-	16,344,394	-	16,344,394	16,896,046
Internally restricted	-	923,659	-	-	923,659	884,554
Unrestricted	<u>268,045</u>	-	-	-	<u>268,045</u>	<u>371,148</u>
	<u>268,045</u>	<u>923,659</u>	<u>16,344,394</u>	-	<u>17,536,098</u>	<u>18,151,748</u>
	<u>\$ 3,792,142</u>	<u>\$ 2,505,750</u>	<u>\$ 17,214,362</u>	<u>\$ 3,922,261</u>	<u>\$ 19,589,993</u>	<u>\$ 20,320,439</u>

Approved by Board,

Chairperson

Treasurer

Calgary Urban Project Society (CUPS)
Statement of Operations and Changes in Fund Balances
Year Ended March 31, 2015

	Operating Fund	Special Projects Fund	Capital Assets Fund	2015	2014
Revenue					
Administration	\$ -	\$ -	\$ -	\$ -	\$ 118,550
Education (note 9)	5,081,978	22,690	8,829	5,113,497	5,035,271
Health (note 9)	4,607,321	6,140	1,295	4,614,756	4,104,259
Housing (note 9)	3,884,822	12,902	1,731	3,899,455	3,151,079
Interest and other	-	-	-	-	76,842
	<u>13,574,121</u>	<u>41,732</u>	<u>11,855</u>	<u>13,627,708</u>	<u>12,486,001</u>
Expenses					
Amortization	-	-	563,507	563,507	575,985
Education (note 10)	5,149,884	1,089	-	5,150,973	4,840,493
Health (note 10)	4,618,541	945	-	4,619,486	3,888,249
Housing (note 10)	<u>3,908,799</u>	<u>593</u>	<u>-</u>	<u>3,909,392</u>	<u>3,209,567</u>
	<u>13,677,224</u>	<u>2,627</u>	<u>563,507</u>	<u>14,243,358</u>	<u>12,514,294</u>
Excess (deficiency) of revenue over expenses	(103,103)	39,105	(551,652)	(615,650)	(28,293)
Fund balances, beginning of year	<u>371,148</u>	<u>884,554</u>	<u>16,896,046</u>	<u>18,151,748</u>	<u>18,180,041</u>
Fund balances, end of year	<u>\$ 268,045</u>	<u>\$ 923,659</u>	<u>\$ 16,344,394</u>	<u>\$ 17,536,098</u>	<u>\$ 18,151,748</u>

Calgary Urban Project Society (CUPS)
Statement of Cash Flows
Year Ended March 31, 2015

	2015	2014
Cash flows provided by (used in):		
Operating activities		
Deficiency of revenue over expenses	\$ (615,650)	\$ (28,293)
Add items not affecting cash		
Loss on disposal of capital assets	-	3,636
Amortization	<u>563,507</u>	<u>575,985</u>
	<u>(52,143)</u>	<u>551,328</u>
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(71,396)	252,449
Prepaid expenses	1,845	(8,136)
Accounts payable	31,808	(95,121)
Designated contributions	<u>(146,604)</u>	<u>(1,897,901)</u>
	<u>(184,347)</u>	<u>(1,748,709)</u>
	<u>(236,490)</u>	<u>(1,197,381)</u>
Cash flows from investing activities		
Purchase of capital assets	(170,362)	(162,500)
Proceeds on disposal of capital assets	1,895	48,000
Proceeds on disposal of investments	<u>359,810</u>	<u>310,072</u>
	<u>191,343</u>	<u>195,572</u>
Decrease in cash and cash equivalents during the year	(45,147)	(1,001,809)
Cash and cash equivalents, beginning of year	<u>2,352,242</u>	<u>3,354,051</u>
Cash and cash equivalents, end of year	<u>\$ 2,307,095</u>	<u>\$ 2,352,242</u>

CALGARY URBAN PROJECT SOCIETY (CUPS)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

NOTE 1 – NATURE OF OPERATION

The Calgary Urban Project Society (“CUPS” or the “Society”) was incorporated under the Alberta Societies Act and operates as CUPS Health & Education Centres. Through integrated healthcare, education and housing services, the Society empowers people to overcome the challenges of poverty and reach their full potential. In this pursuit, the Society draws upon its spiritual roots honouring the dignity of every human being.

CUPS provides collaborative and holistic services through the pillars of education, health and housing. The services provided include a Health Clinic (primary care, nursing, chiropractic, pre-natal and women’s health program and other vital services), Dental Program, Pre-Natal-To-Three Child Development Centre, Family Development Centre, Nurturing Parent Program, One World Child Development Centre, Supporting Fathers Program, Housing program, ID program, case management, basic needs and social supports.

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.

Special Projects Fund - accounts for the assets, liabilities, revenues and expenses related to the Society's projects mandated by the board of directors.

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

CALGARY URBAN PROJECT SOCIETY (CUPS)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

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.

Revenue from special events is recognized when the amounts can be reasonably estimated 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 goods and 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 using the estimated useful life on a straight-line basis as follows:

Buildings	40 years
Furniture and Equipment	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 it is determined.

Financial instruments

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, investments and accounts payable. 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.

CALGARY URBAN PROJECT SOCIETY (CUPS)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

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.

Transacting in financial instruments exposes the Society to certain financial risks and uncertainties (note 13).

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, Honoraria, 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.

CALGARY URBAN PROJECT SOCIETY (CUPS)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

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 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.

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 –CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks, and money market funds. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2015	2014
Cash on hand and balances with banks	\$1,078,970	\$ 1,092,531
Money market funds	1,228,125	1,259,711
Total cash and cash equivalents	\$2,307,095	\$ 2,352,242

The Society has a non-revolving term facility to a maximum amount of \$400,000 which bears interest at the bank's prime rate plus 0.60%. The non-revolving term facility is collaterally supported by a general security agreement creating a first ranking security interest in all present and after acquired property of the Society. As at March 31, 2014, no amounts were drawn on the term facility.

CALGARY URBAN PROJECT SOCIETY (CUPS)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

NOTE 4 – CAPITAL ASSETS

			2015	2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 4,863,875	\$ -	\$ 4,863,875	\$ 4,863,875
Buildings	12,776,292	1,355,133	11,421,159	11,657,640
Furniture and Equipment	1,538,219	1,001,835	536,384	665,245
Automobiles	437,706	331,553	106,153	135,851
	\$ 19,616,092	\$ 2,688,521	\$ 16,927,571	17,322,611

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals is \$21,293 (2014 - \$31,627) relating to source deductions payable.

CALGARY URBAN PROJECT SOCIETY (CUPS)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

NOTE 6 – DESIGNATED CONTRIBUTIONS

Contributions and donations designated by contributors to specific programs are as follows:

	2015	2014
EDUCATION		
Balance, at beginning of year	\$ 1,344,464	\$ 1,593,363
Contributions received during year	1,523,823	2,672,946
Amount utilized to meet expenses	(1,972,079)	(2,921,845)
Balance, at end of year	896,208	1,344,464
HEALTH		
Balance, at beginning of year	60,308	425,973
Contributions received during year	631,687	3,308,362
Amount utilized to meet expenses	(404,783)	(3,674,027)
Balance, at end of year	287,212	60,308
HOUSING		
Balance, at beginning of year	223,768	1,386,506
Contributions received during year	2,965,639	1,824,374
Amount utilized to meet expenses	(2,973,339)	(2,987,112)
Balance, at end of year	216,068	223,768
OTHER: FUNDRAISING/ADMINISTRATION		
Balance, at beginning of year	79,857	200,456
Contributions received during year	727,622	121,524
Amount utilized to meet expenses	(645,174)	(242,123)
Balance, at end of year	162,305	79,857
	\$ 1,561,793	\$ 1,708,397

CALGARY URBAN PROJECT SOCIETY (CUPS)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

NOTE 7 – ALLOCATED ADMINISTRATIVE EXPENSES

General administrative overhead expenses have been allocated as follows:

	2015	2014
EDUCATION	\$ 963,554	\$ 1,153,801
HEALTH	836,472	532,880
HOUSING	525,202	365,539
	\$ 2,325,228	\$ 2,052,220

NOTE 8 – FUNDRAISING EXPENSES

For the year ended March 31, 2015, \$664,565 (2014 - \$508,459) of fundraising costs were incurred to support ongoing fundraising activities and special events. In addition, a total of \$292,441 (2014 - \$245,150) in salaries and benefits were incurred for fund development employees.

NOTE 9 – PROGRAM REVENUE

Program revenues by pillar consist of the following:

	2015	2014
EDUCATION		
Donations and fundraising	\$ 1,840,109	\$ 2,452,819
Grants	3,214,456	2,582,452
Other	58,932	-
	\$ 5,113,497	\$ 5,035,271
HEALTH		
Donations and fundraising	\$ 354,500	\$ 375,495
Grants	4,225,828	3,728,764
Other	34,428	-
	\$ 4,614,756	\$ 4,104,259
HOUSING		
Donations and fundraising	\$ 268,441	\$ 166,839
Grants	3,603,281	2,984,240
Other	27,733	-
	\$ 3,899,455	\$ 3,151,079

CALGARY URBAN PROJECT SOCIETY (CUPS)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

NOTE 10 – PROGRAM EXPENSES

Program expenses by pillar are as follows:

	2015	2014
EDUCATION		
Personnel costs	\$ 3,046,957	\$ 2,682,413
Program costs	280,790	376,205
Facilities and infrastructure	113,891	131,017
Office and other	132,512	75,386
Fundraising cost allocation (Note 8)	613,269	421,672
Administrative cost allocation (Note 7)	963,554	1,153,800
	\$ 5,150,973	\$ 4,840,493
HEALTH		
Personnel costs	\$ 3,405,958	\$ 3,038,810
Program costs	181,038	113,107
Facilities and infrastructure	122,195	121,627
Office and other	22,527	28,707
Fundraising cost allocation (Note 8)	51,296	53,118
Administrative cost allocation (Note 7)	836,472	532,880
	\$ 4,619,486	\$ 3,888,249
HOUSING		
Personnel costs	\$ 1,278,763	\$ 1,250,981
Program costs	2,037,163	1,495,109
Facilities and infrastructure	34,228	37,779
Office and other	34,036	26,490
Fundraising cost allocation (Note 8)	-	33,669
Administrative cost allocation (Note 7)	525,202	365,539
	\$ 3,909,392	\$ 3,209,567

NOTE 11 – EMPLOYEE FUTURE BENEFITS

The Society contributes to a registered retirement savings plan for the benefit of its employees. During the year contributions of \$194,870 (2014 - \$164,563) were deposited to the plan and expensed as employee benefits.

CALGARY URBAN PROJECT SOCIETY (CUPS)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

NOTE 12– 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 four years and thereafter under the terms of the lease agreements are summarized as follows:

2016	\$	337,495
2017		38,695
2018		23,523
2019		12,798
Thereafter		43,200
	\$	455,711

NOTE 13– 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 accounts receivable.

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 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 short term investments.