

Unlocking Potential Foundation

Financial Statements

December 31, 2022



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Unlocking Potential Foundation

Opinion

We have audited the financial statements of Unlocking Potential Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2022 and the statements of operations, 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 Foundation as at December 31, 2022, and its results of 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 Foundation 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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.

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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 Foundation'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 Foundation'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 Foundation 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 Canada LLP

Chartered Professional Accountants
May 15, 2023
Calgary, Alberta

Unlocking Potential Foundation
Statement of Financial Position
December 31, 2022

	General Fund	Externally Restricted Funds			Total 2022	Total 2021
		DG Campbell Fund	Nora Kehoe Fund	Pat Campbell Fund		
Assets						
Current assets						
Cash and cash equivalents	\$ 782,619	\$ -	\$ -	\$ -	\$ 782,619	\$ 1,106,436
Restricted cash and cash equivalents	-	90,841	89,205	154,597	334,643	280,489
Marketable securities (note 3)	217,223	527,749	-	-	744,972	648,993
Short-term investments (note 3)	326,228	59,526	-	-	385,754	422,367
Accounts receivable	17,111	800	-	-	17,911	10,767
Goods and Services Tax receivable	2,896	-	-	-	2,896	13
Prepaid expenses	18,095	-	-	-	18,095	8,346
	1,364,172	678,916	89,205	154,597	2,286,890	2,477,411
Long-term investments (note 3)	56,720	187,581	-	-	244,301	335,507
	<u>\$ 1,420,892</u>	<u>\$ 866,497</u>	<u>\$ 89,205</u>	<u>\$ 154,597</u>	<u>\$ 2,531,191</u>	<u>\$ 2,812,918</u>
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities (note 6)	\$ 511,066	\$ -	\$ -	\$ -	\$ 511,066	\$ 501,788
Deferred contributions related to operations (note 4)	-	-	-	-	-	5,000
	<u>511,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,066</u>	<u>506,788</u>
Fund Balances						
Endowment fund	-	866,497	-	-	866,497	825,858
Externally restricted funds	-	-	89,205	154,597	243,802	216,457
Unrestricted funds	909,826	-	-	-	909,826	1,263,815
	<u>909,826</u>	<u>866,497</u>	<u>89,205</u>	<u>154,597</u>	<u>2,020,125</u>	<u>2,306,130</u>
	<u>\$ 1,420,892</u>	<u>\$ 866,497</u>	<u>\$ 89,205</u>	<u>\$ 154,597</u>	<u>\$ 2,531,191</u>	<u>\$ 2,812,918</u>

See accompanying notes to financial statements.

Approved by the Board,

_____, Director

_____, Director

Unlocking Potential Foundation
Statement of Operations
Year Ended December 31, 2022

	Externally Restricted Funds			Total 2022	Total 2021
	General Fund	DG Campbell Fund	Nora Kehoe Fund		
Revenue					
Donations (note 5)	\$ 300,368	\$ 903	\$ 32,773	\$ -	\$ 334,044
Event	<u>272,873</u>	<u>18,270</u>	<u>-</u>	<u>-</u>	<u>291,143</u>
	<u>573,241</u>	<u>19,173</u>	<u>32,773</u>	<u>-</u>	<u>625,187</u>
Expenses					
Donations to Kindred Connections Society (note 6)	734,822	-	-	-	734,822
Event	176,052	-	-	-	176,052
Professional fees	16,800	-	-	-	16,800
Scholarships	9,101	-	-	5,399	14,500
Contracted services	3,050	-	-	-	3,050
Payment method charges	2,069	-	29	-	2,098
Insurance	1,850	-	-	-	1,850
Office	1,217	-	-	-	1,217
Donations	-	-	-	-	-
Functions - event expenses (note 5)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115</u>
	<u>944,961</u>	<u>-</u>	<u>29</u>	<u>5,399</u>	<u>950,389</u>
Excess (deficiency) of revenue over expenses before other income (losses)	<u>(371,720)</u>	<u>19,173</u>	<u>32,744</u>	<u>(5,399)</u>	<u>(325,202)</u>
Other income (losses)					
Investment income	18,228	34,550	-	-	52,778
Changes in fair value of marketable securities	6,774	(5,229)	-	-	1,545
Commission and interest expenses (note 6)	(7,271)	(7,855)	-	-	(15,126)
Loss on sale of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,428)</u>
	<u>17,731</u>	<u>21,466</u>	<u>-</u>	<u>-</u>	<u>39,197</u>
Excess (deficiency) of revenue over expenses	<u>\$ (353,989)</u>	<u>\$ 40,639</u>	<u>\$ 32,744</u>	<u>\$ (5,399)</u>	<u>\$ (286,005)</u>

See accompanying notes to financial statements.

Unlocking Potential Foundation
Statement of Changes in Fund Balances
Year Ended December 31, 2022

	General Fund	Externally Restricted Funds			Total 2022	Total 2021
		DG Campbell Fund	Nora Kehoe Fund	Pat Campbell Fund		
Balance, beginning of year	\$ 1,263,815	\$ 825,858	\$ 56,461	\$ 159,996	\$ 2,306,130	\$ 2,239,562
Excess (deficiency) of revenue over expenses	<u>(353,989)</u>	<u>40,639</u>	<u>32,744</u>	<u>(5,399)</u>	<u>(286,005)</u>	<u>66,568</u>
Balance, end of year	<u>\$ 909,826</u>	<u>\$ 866,497</u>	<u>\$ 89,205</u>	<u>\$ 154,597</u>	<u>\$ 2,020,125</u>	<u>\$ 2,306,130</u>

See accompanying notes to financial statements.

Unlocking Potential Foundation
Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
Cash provided by (used in):		
Operating activities		
Cash receipts from donors and sponsors	\$ 543,983	\$ 547,164
Cash paid for operating expenses	(216,266)	(47,170)
Donations paid to related entity	(736,336)	(110,300)
Investment income receipts	25,663	21,694
Commission and interest expenses paid	<u>(15,126)</u>	<u>(7,401)</u>
	<u>(398,082)</u>	<u>403,987</u>
Investing activities		
Purchases of marketable securities and investments	(365,060)	(531,416)
Proceeds from sales of marketable securities and investments	<u>493,479</u>	<u>575,979</u>
	<u>128,419</u>	<u>44,563</u>
Cash inflow (outflow)	(269,663)	448,550
Cash and cash equivalents, beginning of year	<u>1,386,925</u>	<u>938,375</u>
Cash and cash equivalents, end of year	<u>\$ 1,117,262</u>	<u>\$ 1,386,925</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 782,619	\$ 1,048,155
Money market fund	-	58,281
Restricted money market fund	84,329	-
Restricted cash	<u>250,314</u>	<u>280,489</u>
	<u>\$ 1,117,262</u>	<u>\$ 1,386,925</u>

During the year, the Foundation received reinvested investment income of \$27,115 (2021 - \$32,509) and donated investments of \$67,919 (2021 - \$68,343) that are excluded from this cash flow statement.

During the year, the Foundation received contributions in kind (note 5) of \$1,141 (2021 - \$115) that are excluded from this cash flow statement.

See accompanying notes to financial statements.

Unlocking Potential Foundation

Notes to Financial Statements

December 31, 2022

1. Nature of operations

The Unlocking Potential Foundation (the "Foundation") was created to ensure the long-term sustainability of quality programs that translate into better lives for vulnerable Calgarians.

The Unlocking Potential Foundation is incorporated under the *Societies Act* of Alberta and is a registered charity under the *Income Tax Act*, and as such, is not subject to the payment of income tax under Section 149(1)(f) of the *Income Tax Act* of Canada.

2. Significant accounting policies

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

(a) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Restricted contributions for which there is a corresponding restricted fund are recognized as revenue of the appropriate fund in the year in which the funds are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for which there is no corresponding restricted fund but that are for operations and that are externally restricted are deferred and recognized as revenue of the general fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income, consisting of interest and dividends, is recognized as income in the corresponding restricted fund under the effective interest method and when dividends are declared and payable to the holder. Investment income not subject to restrictions, consisting of interest and dividends, is recognized as income of the general fund under the effective interest method and when dividends are declared and payable to the holder.

(b) Fund accounting

The Foundation uses the following funds to report its operations and financial position:

(i) General Fund

The General Fund accounts for current operations and programs and for the Foundation's general operations. Unrestricted contributions and contributions restricted for use in operations are reported in this fund.

Unlocking Potential Foundation

Notes to Financial Statements

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- (ii) D.G. (Greg) Campbell Humanitarian Endowment Fund ("DG Campbell Fund")

D.G. (Greg) Campbell Humanitarian Endowment Fund shall be used only for charitable purposes, within the objects of the Foundation as set forth when the fund was created or as may be amended from time to time by a special resolution of the members of the Foundation. The Foundation will retain all capital contributions to the Fund for a period of not less than twenty years from the establishment of the Fund (September 20, 2011). During this term, a percentage of the fair value of the Fund may be committed, granted or expended for the purposes of the Fund. The Foundation will invest, reinvest and administer the Fund in accordance with the Foundation's policies and procedures as established from time to time. The Foundation is entitled to commingle the Fund with other restricted funds under its administration.

- (iii) Nora Valentine-Kehoe Family Fund ("Nora Kehoe Fund")

Nora Valentine-Kehoe Family Fund provides direct support to programs offered by Kindred Connections Society, with the exclusion of the Louise Dean Centre, that promote healthy families and positive outcomes for children of all faiths and cultures. The Fund will be invested, managed and controlled in accordance with the financial policies of the Foundation.

- (iv) Pat Campbell Scholarship Fund ("Pat Campbell Fund")

The Pat Campbell Scholarship Fund supports the success of graduates of the Louise Dean Centre in their transition to post-secondary education (including college, university, certifications, and trades studies). The Fund will be invested, managed and controlled in accordance with the financial policies of the Foundation.

- (c) Cash and cash equivalents and restricted cash

Cash includes cash on hand and in banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less and that are subject to an insignificant risk of change in value. Restricted cash includes cash held in financial institutions and money market funds.

- (d) Contributed materials and services

The Foundation, in common with many non-profit organizations, makes extensive use of donated materials in conducting its activities. Donated materials are recorded at their fair market value with a corresponding amount recorded for donation revenue when fair market value can be determined and the Foundation would otherwise have purchased those items. Fair market value of donated items is generally based on values provided by the donor and in some cases is estimated by the Foundation based on values from external sources. The contributed materials and supplies related to the silent and live auction are recorded to the statement of operations when sold at auction.

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(e) Volunteer services

Volunteers contribute many hours per year to assist the Foundation in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(f) Financial instruments

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenue over expenses.

Financial assets measured at amortized cost include cash and cash equivalents, restricted cash, short-term investments, accounts receivable and long-term investments. The Foundation's financial assets measured at fair value include marketable securities.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at cost or amortized cost are tested for impairment at the end of each year to determine whether there are indicators that the asset may be impaired. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. The amount of the write-down, if any, is recognized in excess (deficiency) of revenue over expenses.

The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in excess (deficiency) of revenue over expenses.

(g) Measurement uncertainty

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 the reported amounts of revenue and expenses during the reporting period. Significant estimates include valuation of accounts receivable and determined fair value of contributed goods and services. Actual results could differ from those estimates.

Unlocking Potential Foundation
Notes to Financial Statements
December 31, 2022

3. Investments

	2022	2021
Marketable securities		
Investment in mutual funds at fair value	\$ 545,756	\$ 399,844
Investment in common shares at fair value	175,124	167,345
Investment in preferred shares at fair value	<u>24,092</u>	<u>81,804</u>
	<u>744,972</u>	<u>648,993</u>
Short-term investments		
Guaranteed investment certificates	326,228	356,719
Corporate bonds	59,526	45,516
Government bonds	<u>-</u>	<u>20,132</u>
	<u>385,754</u>	<u>422,367</u>
Long-term investments	<u>244,301</u>	<u>335,507</u>
Total investments	<u>\$ 1,375,027</u>	<u>\$ 1,406,867</u>

Guaranteed investment certificates, bearing interest rates ranging from 0.50% to 4.30% per annum (2021 - 0.40% to 0.95%) with a maturity date of less than one year, are at amortized cost.

Corporate and government bonds, bearing interest rates ranging from 1.58% to 3.69% per annum (2021 - 1.73% to 2.11%), with a maturity date of less than one year, are at amortized cost.

Long-term investments consist of guaranteed investment certificates, corporate bonds and government bonds with maturity dates greater than one year from the date of acquisition, bearing interest at rates ranging from 2.24% to 7.25% per annum (2021 - 0.50% to 7.25%) and maturing between February 2024 to December 2026.

4. Deferred contributions related to operations

Deferred contributions relate to funds received in the current year that relate to future year operational expenses.

	2021	Addition	Utilization	2022
Sponsorships	\$ <u>5,000</u>	\$ <u>-</u>	\$ <u>5,000</u>	\$ <u>-</u>
	2020	Addition	Utilization	2021
Sponsorships	\$ <u>7,000</u>	\$ <u>-</u>	\$ <u>2,000</u>	\$ <u>5,000</u>

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5. Contributions in kind

Included in event expenses (2021 - donations and function - event expenses) and donation revenue, are donations in kind received of \$1,141 (2021 - \$115). The Foundation also received donated items for the silent and live auction with a fair market value of \$34,091 (2021 - \$NIL) which were then sold for proceeds and recognized as event revenue.

6. Related party transactions

Kindred Connections Society ("Kindred"; formerly The Catholic Family Service of Calgary) is considered a related entity to the Foundation. The two organizations have a number of board members in common, and their operations are closely linked; however, neither controls the other. During the year, the Foundation entered into the following transactions with Kindred:

- (a) During 2022, the Foundation donated \$734,822 (2021 - \$597,088) to Kindred of which \$485,274 (2021 - \$486,788) is included in accounts payable and accrued liabilities at year-end. Also included in accounts payable at year-end is \$18,095 (2021 - \$NIL) payable to Kindred for expenses paid by Kindred on behalf of the Foundation.
- (b) The Foundation uses Kindred facilities free of charge, and Kindred employees provide management, support and fundraising services to the Foundation free of charge. Kindred has 2.18 (2021 - 1.6) fulltime equivalent staff positions whose roles are allocated to fundraising. These staff members raise funds via the Foundation and Kindred for all Kindred and UP programs.

The Foundation also paid \$7,855 (2021 - \$NIL) of investment management fees to a company that one of the Foundation's board members is employed at and is a portfolio manager for the Foundation's investments held at that company.

7. Additional Information to comply with the disclosure requirement of the Charitable Fund-Raising Act of Alberta and regulations

As required under Section 7(2) of the Regulations of the *Charitable Fund-raising Act* of Alberta, staff expenses in the amount of \$NIL (2021 - \$NIL) were incurred in the year for the purposes of soliciting donations.

Unlocking Potential Foundation

Notes to Financial Statements

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8. Financial instruments

The Foundation is exposed to the following significant financial risks:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Foundation are subject to market risk as changing interest rates impact the fair market value of the fixed rate investments, and the general economic conditions affect the market value of equity investments. The Board of Directors has implemented an investment policy that limits the nature of investments held.

(b) Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation manages its liquidity risk by monitoring its operating requirements.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its investments. The Board of Directors has implemented an investment policy that limits the nature of investments held.

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk on its accounts receivable to the extent that its contributors will be unable to meet their obligations. The Foundation has a large number of contributors, which minimizes the concentration of credit risk. The Foundation is also exposed to credit risk on its cash and cash equivalents. This risk is mitigated as cash and cash equivalent are held with chartered financial institutions.

9. Comparative figures

Certain comparative figures have been reclassified from restricted cash to cash based on the nature of the amounts and to conform to the current year's presentation.