

INN OUT OF THE COLD, ST. THOMAS-ELGIN

Financial Statements

May 31, 2021

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INN OUT OF THE COLD, ST. THOMAS-ELGIN

Financial Statements

For the Year Ended May 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Members of **Inn Out of the Cold, St. Thomas-Elgin:**

Qualified Opinion

We have audited the financial statements of **Inn Out of the Cold, St. Thomas-Elgin**, which comprise the statement of financial position as at May 31, 2021, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the organization's financial statements present fairly, in all material respects, the financial position of the organization as at May 31, 2021, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions and donations, revenues over expenditures, and cash flows for the year ending May 31, 2021 and year ending May 31, 2020, current assets as at May 31, 2021 and May 31, 2020 and net assets as at June 1, 2020 and May 31, 2021 for the 2021 year ended, as well as June 1, 2019 and May 31, 2020 for the 2020 year ended. Our audit opinion on the financial statements for the year ended May 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization 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 qualified 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' 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 organization'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 organization'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 organization 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.

Aylmer, Ontario

Reporting Date

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

INN OUT OF THE COLD, ST. THOMAS-ELGIN

Statement of Financial Position As at May 31, 2021

	General \$	New Site \$	2021 \$	2020 \$
<u>ASSETS</u>				
CURRENT ASSETS				
Bank	282,641	51,442	334,083	323,252
Investments - GIC	130,000	-	130,000	-
Gift cards on hand	1,473	-	1,473	110
Accounts receivable	46,667	-	46,667	6,040
HST recoverable	19,799	13	19,812	6,781
Prepaid expenses	<u>3,736</u>	<u>156</u>	<u>3,892</u>	<u>2,753</u>
	484,316	51,611	535,927	338,936
CAPITAL ASSETS (NOTE 2)	<u>4,934</u>	<u>-</u>	<u>4,934</u>	<u>6,272</u>
TOTAL ASSETS	<u>489,250</u>	<u>51,611</u>	<u>540,861</u>	<u>345,208</u>
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	28,859	-	28,859	29,022
Government remittances payable	1,975	-	1,975	1,579
Deferred revenue (Note 5 & 6)	<u>165,721</u>	<u>51,601</u>	<u>217,322</u>	<u>90,648</u>
	<u>196,555</u>	<u>51,601</u>	<u>248,156</u>	<u>121,249</u>
<u>NET ASSETS</u>				
UNRESTRICTED	<u>292,695</u>	<u>10</u>	<u>292,705</u>	<u>223,959</u>
TOTAL NET ASSETS	<u>489,250</u>	<u>51,611</u>	<u>540,861</u>	<u>345,208</u>

See accompanying notes to the audited financial statements.

INN OUT OF THE COLD, ST. THOMAS-ELGIN

**Statement of Changes in Net Assets
For the Year Ended May 31, 2021**

	2021	2020
	<u>\$</u>	<u>\$</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	223,959	64,099
Surplus for the year	<u>68,746</u>	<u>159,860</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>292,705</u>	<u>223,959</u>

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See accompanying notes to the audited financial statements.

INN OUT OF THE COLD, ST. THOMAS-ELGIN

Statement of Operations For the Year Ended May 31, 2021

	2021	2020
	<u>\$</u>	<u>\$</u>
REVENUES		
Pandemic grants	436,080	116,916
St. Thomas-Elgin Social Services grant	274,167	215,000
General donations	158,988	138,074
United Way grant	77,782	18,000
Other grants	53,451	17,885
Canadian Employment Wage Subsidy (Note 7)	4,300	10,164
Fundraising	1,617	32,557
Other income	<u>694</u>	<u>402</u>
	<u>1,007,079</u>	<u>548,998</u>
EXPENDITURES		
Wages and benefits	488,840	259,664
Security	315,765	50,799
Professional fees	41,667	24,068
Programs	36,467	16,482
Office and general	17,462	8,711
Occupancy cost	14,000	5,300
Insurance	8,407	6,119
Repairs and maintenance	8,257	12,585
Recruitment, training, travel & appreciation	5,770	4,399
Amortization	1,337	852
Bank and interest charges	<u>361</u>	<u>159</u>
	<u>938,333</u>	<u>389,138</u>
NET SURPLUS FOR THE YEAR	<u><u>68,746</u></u>	<u><u>159,860</u></u>

See accompanying notes to the audited financial statements.

INN OUT OF THE COLD, ST. THOMAS-ELGIN

Statement of Cash Flows For the Year Ended May 31, 2021

	2021	2020
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from grantors, donors and fundraising	1,080,094	615,852
Cash paid to suppliers	<u>(939,263)</u>	<u>(360,936)</u>
	<u>140,831</u>	<u>254,916</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	-	(6,039)
Purchase of investments	<u>(130,000)</u>	<u>-</u>
Cash flows (used in) investing activities	<u>(130,000)</u>	<u>(6,039)</u>
NET INCREASE IN CASH DURING THE YEAR	10,831	248,877
CASH, BEGINNING OF YEAR	<u>323,252</u>	<u>74,375</u>
CASH, END OF YEAR	<u><u>334,083</u></u>	<u><u>323,252</u></u>

See accompanying notes to the audited financial statements.

INN OUT OF THE COLD, ST. THOMAS-ELGIN

Notes to the Financial Statements For the Year Ended May 31, 2021

1. SUMMARY OF 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:

Accounting estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. There are no significant estimates in these financial statements and as such no further disclosures were made.

In particular, the organization uses estimates when accounting for certain items, including:

Useful lives of tangible assets

Tangible capital assets

Tangible capital assets are recorded at cost. When an asset is sold or otherwise disposed of, the original cost and related accumulated amortization are removed from the accounts, and any gain or loss is recognized in earnings. Amortization is calculated using the declining balance method for all capital assets other than leasehold improvements, which follows the straight-line depreciation method. The amortization rates are as follows:

Leasehold improvements	5 years
Computer equipment	50%
Office equipment	20%

One-half the annual rate of amortization is taken in the year of acquisition.

INN OUT OF THE COLD, ST. THOMAS-ELGIN

Notes to the Financial Statements For the Year Ended May 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The organization follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue in the year in which the related expenses are incurred.

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

Contributed services

Volunteers contribute an indeterminable number of hours per year. Also, donors contribute food and other small goods every year. Due to the difficulty in determining their fair value, contributed services and donations in kind are not recognized in the financial statements.

Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash which is measured at fair value. Changes in fair value are recognized in surplus (deficit).

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

INN OUT OF THE COLD, ST. THOMAS-ELGIN

Notes to the Financial Statements For the Year Ended May 31, 2021

2. CAPITAL ASSETS

	Cost	Accumulated Amortization	2021	2020
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Leasehold improvements	1,803	541	1,262	1,623
Office equipment	9,164	5,570	3,594	4,493
Computer equipment	<u>942</u>	<u>864</u>	<u>78</u>	<u>156</u>
	<u>11,909</u>	<u>6,975</u>	<u>4,934</u>	<u>6,272</u>

3. FINANCIAL INSTRUMENTS

Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position date.

It is management's opinion that the entity is not exposed to any significant credit, liquidity, market, interest rate, foreign currency or other price risk.

No financial liabilities of the organization were in default during the year. The organization was not subject to any covenants during the year.

There have been no changes to these assessed risks during the fiscal year.

4. ECONOMIC DEPENDENCE

The organization receives a substantial portion of its funding from the City of St. Thomas. In 2021, the City accounted for approximately 70% of revenues (2020 - 60%).

As the organization's main source of funding is City of St. Thomas, its ability to continue viable operations is dependent upon receiving this funding.

INN OUT OF THE COLD, ST. THOMAS-ELGIN

Notes to the Financial Statements For the Year Ended May 31, 2021

5. DEFERRED REVENUE

Deferred revenues relating to operations are as follows:

	2021	2020
	<u>\$</u>	<u>\$</u>
City of St. Thomas	160,623	54,124
Other	<u>5,098</u>	<u>36,524</u>
	<u><u>165,721</u></u>	<u><u>90,648</u></u>

6. DEFERRED CONTRIBUTIONS

Contributions to the organization to be used exclusively for the New Site project that had not been spent at the end of the year is as follows:

	2021	2020
	<u>\$</u>	<u>\$</u>
Donations	<u>51,601</u>	-
	<u><u>51,601</u></u>	<u><u>-</u></u>

7. CANADIAN EMERGENCY WAGE SUBSIDY

During the year, the organization experienced a reduction in revenue that qualified the organization to recover a portion of its wages under the Canada Emergency Wage Subsidy (CEWS) programs. The organization received \$4,300 and included nil in accounts receivable for the CEWS program. The total of these payments under the CEWS program of \$4,300 has been reported in the statement of operations in CEWS.

8. SIGNIFICANT & SUBSEQUENT EVENT - COVID-19

During and subsequent to the year end, the organization was exposed to economic risks associated with the coronavirus pandemic. These risks continued past the year end date and are beyond the organization's control. The impact of these risks cannot be identified at this time but could impact the organization's operations, future net earnings, cash flows and financial condition.

9. COMPARATIVE FIGURES

Certain comparative figures presented in the financial statements have been reclassified to conform to the presentation adopted in the current year.
