

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

THE GRIND PEMBROKE

Qualified Opinion

We have audited the financial statements of **THE GRIND PEMBROKE** (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and changes in net assets and 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 possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019 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 not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, net revenue and cash flows from operations for the year ended December 31, 2019, or to current assets and net assets as at December 31, 2019. Our audit opinion on the financial statements for the year ended December 31, 2019 is 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 *Auditor's 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 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 audit opinion.

Other Matter

The financial statements of the Organization for the year ended December 31, 2018 were unaudited and corresponding figures have been restated to correct opening balances.

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.

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.

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.

Welch LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
June 11, 2020

Welch LLP

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THE GRIND PEMBROKE
(Incorporated Without Share Capital Under the Laws of the Province of Ontario)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 138,503	\$ 51,060
Sales tax recoverable	18,971	7,383
Prepaid expenses	<u>3,211</u>	<u>3,146</u>
	<u>160,685</u>	<u>61,589</u>
CAPITAL ASSETS (Note 3)	<u>190,462</u>	<u>126,825</u>
	<u>\$ 351,147</u>	<u>\$ 188,414</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 20,916	\$ 3,276
Government remittances payable	324	2,494
Income taxes payable	<u>-</u>	<u>2,943</u>
	<u>21,240</u>	<u>8,713</u>
DEFERRED CONTRIBUTIONS (Note 4)	<u>233,842</u>	<u>123,842</u>
TOTAL LIABILITIES	<u>255,082</u>	<u>132,555</u>
NET ASSETS		
Net assets (deficit) invested in capital assets (Note 5)	(43,380)	2,983
Unrestricted net assets	<u>139,445</u>	<u>52,876</u>
	<u>96,065</u>	<u>55,859</u>
	<u>\$ 351,147</u>	<u>\$ 188,414</u>

Approved by the Board:

Per _____
Jerry Novack - Executive Director

Per _____
Tim Kielman - Treasurer

(See independent auditor's report and accompanying notes)

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THE GRIND PEMBROKE
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUE		
Donations & fundraising revenue	\$ 126,771	\$ 102,391
Program contributions	25,010	29,566
Grant revenue	40,014	23,500
Rental income	5,158	1,903
Interest & other income	<u>8,671</u>	<u>3,285</u>
	<u>205,624</u>	<u>160,645</u>
EXPENDITURES		
Wages and benefits	56,207	65,358
Shelter and occupancy costs	47,636	44,358
Program costs	31,295	33,495
Office and miscellaneous	3,349	7,374
Professional fees	14,195	2,586
Advertising and promotion	3,252	3,482
Bank charges and interest	1,002	(485)
Insurance	5,246	1,888
Telephone and internet	3,011	3,691
Amortization	225	-
Income taxes	-	2,943
	<u>165,418</u>	<u>164,690</u>
NET REVENUE (EXPENDITURE)	<u>\$ 40,206</u>	<u>\$ (4,045)</u>

(See independent auditor's report and accompanying notes)

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THE GRIND PEMBROKE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	<u>Invested in Capital assets</u>	<u>Unrestricted</u>	<u>Total 2019</u>	<u>Total 2018</u>
Net assets at beginning of year	\$ 2,983	\$ 52,876	\$ 55,859	\$ 59,904
Net (expenditure) revenue	(225)	40,431	40,206	(4,045)
Transfer of net assets (Note 6)	<u>(46,138)</u>	<u>46,138</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ (43,380)</u>	<u>\$ 139,445</u>	<u>\$ 96,065</u>	<u>\$ 55,859</u>

(See independent auditor's report and accompanying notes)

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THE GRIND PEMBROKE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net revenue (expenditure)	\$ 40,206	\$ (4,045)
Adjustment for:		
Amortization	<u>225</u>	<u>-</u>
	40,431	(4,045)
Changes in non-cash working capital components:		
Sales tax recoverable	(11,588)	(3,705)
Prepaid expenses	(65)	(2,146)
Accounts payable and accrued liabilities	17,640	791
Government remittances payable	(2,170)	1,530
Income taxes payable	(2,943)	2,943
Deferred contributions	<u>110,000</u>	<u>51,630</u>
	<u>151,305</u>	<u>46,998</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of capital assets	<u>(63,862)</u>	<u>(10,820)</u>
INCREASE IN CASH	87,443	36,178
CASH AT BEGINNING OF YEAR	<u>51,060</u>	<u>14,882</u>
CASH AT END OF YEAR	<u>\$ 138,503</u>	<u>\$ 51,060</u>

(See independent auditor's report and accompanying notes)

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THE GRIND PEMBROKE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 ORGANIZATION AND PURPOSE

The Grind Pembroke is incorporated under the laws of the Province of Ontario without share capital and was registered as a charitable organization on February 2, 2018. The organization's purpose is to raise funds to support outreach and provide shelter and food services for low income individuals.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared by management in accordance with policies established by Accounting Standards Board of the Canadian Institute for Chartered Professional Accountants as they apply to not-for-profit organizations.

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions and grant revenue are recognized as revenue in the year 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. Rental, interest and other income are recognized when earned and collection is reasonably assured.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Financial instruments

The organization initially measures all financial assets and liabilities at fair value. Cash is subsequently measured at fair value at the statement of financial position date. All other financial instruments are subsequently measured at amortized cost at the date of the statement of financial position.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution, if determinable.

Amortization is provided on a straight-line basis over their estimated useful lives of 25 years for buildings and 5 years for equipment. Assets acquired and not available for use are not amortized.

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. Management makes estimates when determining the estimated useful lives of capital assets. Actual results could differ from those estimates.

(See independent auditor's report)

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THE GRIND PEMBROKE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 3 CAPITAL ASSETS

Capital assets consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land	\$ 60,000	\$ -	\$ 60,000	\$ -
Building	129,565	-	66,825	-
Equipment	<u>1,122</u>	<u>225</u>	<u>-</u>	<u>-</u>
	190,687	<u>\$ 225</u>	126,825	<u>\$ -</u>
Accumulated amortization	<u>225</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 190,462</u>		<u>\$ 126,825</u>	

At year end, the building was still being renovated and not available for use.

NOTE 4 DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized and unspent amount of grants and donations received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 123,842	\$ 72,212
Add: Donations received in year	110,000	51,630
Less: Amortization of deferred contributions	<u>-</u>	<u>-</u>
Balance at end of year	<u>\$ 233,842</u>	<u>\$ 123,842</u>

As the deferred capital contributions relate solely to one project which is not complete at year end and thus not being amortized, the related deferred capital contributions have also not yet been amortized.

All operating contributions have been spent in the year and as a result, no deferral of operating contributions is necessary.

NOTE 5 INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	<u>2019</u>	<u>2018</u>
Capital assets (Note 3)	\$ 190,462	\$ 126,825
Deferred capital contributions (Note 4)	<u>(233,842)</u>	<u>(123,842)</u>
	<u>\$ (43,380)</u>	<u>\$ 2,983</u>

(See independent auditor's report)

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THE GRIND PEMBROKE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 6 TRANSFER FROM NET ASSETS INVESTED IN CAPITAL ASSETS

During the year \$46,138 (2018 - \$40,810) was transferred from net assets invested in capital assets to unrestricted net assets calculated as follows:

	<u>2019</u>	<u>2018</u>
Purchase of capital assets	\$ 63,862	\$ 10,820
New capital grants and donations in year	<u>(110,000)</u>	<u>(51,630)</u>
	<u>\$ (46,138)</u>	<u>\$ (40,810)</u>

NOTE 7 FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, sale tax recoverable, accounts payable and accrued liabilities, and deferred contributions. The organization is not subject to significant interest rate, liquidity, currency, market or credit risks arising from its financial instruments.

NOTE 8 COMMITMENTS

Lease Commitments

The organization operates out of a leased premises. The Community Kitchen's lease expires on May 30, 2020 with monthly payments of \$1,400. The lease related to client services expires on March 31, 2021 and requires monthly payments of \$925.

Minimum operating lease payments for all premises rent over the remaining years is as follows:

2020	\$18,100
2021	\$ 2,775

Contractual Service Commitment

The organization entered into a service agreement with the Pembroke Regional Hospital - Mental Health Services Renfrew County to provide exclusionary use of a crisis bed within Transition House as well as office accommodation. The agreement has a minimum seven year term and was in exchange for a one-time contribution of \$100,000 to be used for Transition House renovations.

Capital Project

The Transition House project is ongoing at year-end. The expected costs to complete this capital project are \$70,000. The project was completed and operational in the Spring of 2020.

NOTE 9 SUBSEQUENT EVENT

In mid-March of 2020, subsequent to the organization's year-end, the Province of Ontario declared a state of emergency in response to public health concerns originating from the spread of the coronavirus. The organization's operations have been significantly modified since the declaration. Fundraising events and programs are not allowed during this time as public gatherings are prohibited, the client services office has been and continues to be closed, and the Community Kitchen is now only open for take out meals. The financial impact of the spread of the coronavirus on the organization is not yet known.

(See independent auditor's report)

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THE GRIND PEMBROKE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 10 COMPARATIVE FIGURES

Comparative figures have been restated to correct the opening balances for the current year.

(See independent auditor's report)

Welch I.L.P.

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