Welch LLP

## 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, 2023, 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, 2023 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 donations and fundraising revenue, net revenue and cash flows from operations for the years ended December 31, 2023 and 2022, or to current assets as of December 31, 2023 and 2022, and net assets as of January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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 *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.

*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.

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*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
July 24, 2024

**THE GRIND PEMBROKE**

(Incorporated Without Share Capital Under the Laws of the Province of Ontario)

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2023**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | $ 504,728 | $ 383,985 |
| Accounts receivable | 49,803 | 44,438 |
| Prepaid expenses | 11,001 | 6,665 |
| | 565,532 | 435,088 |
| **CAPITAL ASSETS** (Note 3) | 491,266 | 678,141 |
| | $ 1,056,798 | $ 1,113,229 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 78,557 | $ 26,072 |
| Government remittances payable | 5,869 | 4,434 |
| Deferred revenue (Note 4) | 85,692 | 139,898 |
| | 170,118 | 170,404 |
| **DEFERRED CAPITAL CONTRIBUTIONS** (Note 5) | 396,375 | 538,588 |
| **TOTAL LIABILITIES** | 566,493 | 708,992 |
| **NET ASSETS** | | |
| Net assets invested in capital assets (Note 6) | 84,891 | 139,553 |
| Unrestricted net assets | 405,414 | 264,684 |
| | 490,305 | 404,237 |
| | $ 1,056,798 | $ 1,113,229 |

Approved by the Board:

Per____________________________________
Jerry Novack - Executive Director

Per____________________________________
Rudy Huisman - Treasurer

**(See independent auditor's report and accompanying notes)**

# THE GRIND PEMBROKE

## STATEMENT OF OPERATIONS

## YEAR ENDED DECEMBER 31, 2023

| | Budget 2023 | Actual 2023 | Actual 2022 |
|---|---|---|---|
| **REVENUE** | | | |
| Donations and fundraising revenue | $ 296,830 | $ 424,628 | $ 372,611 |
| Program contributions | 9,000 | 2,564 | 9,337 |
| Grant revenue | 54,000 | 172,476 | 98,802 |
| Rental income | 20,000 | 20,300 | 24,571 |
| Interest and other income | 1,000 | 1,130 | 953 |
| Amortization of deferred capital contributions (Note 5) | - | 159,363 | 155,933 |
| | 380,830 | 780,461 | 662,207 |
| **EXPENDITURES** | | | |
| Wages and benefits | 161,225 | 183,115 | 130,402 |
| Shelter and occupancy costs | 20,530 | 69,946 | 27,238 |
| Program costs | 100,000 | 141,866 | 79,348 |
| Office and miscellaneous | 7,639 | 8,139 | 9,562 |
| Professional fees | 37,298 | 29,467 | 28,414 |
| Advertising and promotion | 5,000 | 1,203 | 3,586 |
| Bank charges and interest | 819 | 836 | 779 |
| Insurance | 10,000 | 10,385 | 9,371 |
| Telephone and internet | 6,000 | 6,417 | 6,185 |
| Repairs and maintenance | 30,000 | 28,296 | 20,196 |
| Vehicle operating | 2,191 | 2,613 | 4,527 |
| Amortization | - | 212,110 | 206,222 |
| | 380,702 | 694,393 | 525,830 |
| **NET REVENUE** | $ 128 | $ 86,068 | $ 136,377 |

**(See independent auditor's report and accompanying notes)**

## THE GRIND PEMBROKE

## STATEMENT OF CHANGES IN NET ASSETS

## YEAR ENDED DECEMBER 31, 2023

| | Invested in capital assets | Unrestricted | Total 2023 | Total 2022 |
|---|---|---|---|---|
| **NET ASSETS AT BEGINNING OF YEAR** | $ 139,553 | $ 264,684 | $ 404,237 | $ 267,860 |
| Net (expenditure) revenue | (52,747) | 138,815 | 86,068 | 136,377 |
| Transfer of net assets (Note 7) | (1,915) | 1,915 | - | - |
| **NET ASSETS AT END OF YEAR** | $ 84,891 | $ 405,414 | $ 490,305 | $ 404,237 |

**(See independent auditor's report and accompanying notes)**

## THE GRIND PEMBROKE

## STATEMENT OF CASH FLOWS

## YEAR ENDED DECEMBER 31, 2023

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | | |
| Net revenue | $ 86,068 | $ 136,377 |
| Adjustment for: | | |
| Amortization of deferred capital contributions | (159,363) | (155,933) |
| Amortization | 212,110 | 206,222 |
| | 138,815 | 186,666 |
| Changes in non-cash working capital components: | | |
| Accounts receivable | (5,365) | 14,107 |
| Prepaid expenses | (4,336) | (718) |
| Accounts payable and accrued liabilities | 52,485 | (16,036) |
| Government remittances payable | 1,435 | 109 |
| | 183,034 | 184,128 |
| **CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES** | | |
| Purchase of capital assets | (25,235) | (282,697) |
| **CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES** | | |
| Deferred capital contributions spent in the year | 17,150 | 234,428 |
| (Decrease) increase in deferred revenue | (54,206) | 9,547 |
| | (37,056) | 243,975 |
| **INCREASE IN CASH** | 120,743 | 145,406 |
| **CASH AT BEGINNING OF YEAR** | 383,985 | 238,579 |
| **CASH AT END OF YEAR** | $ 504,728 | $ 383,985 |

**(See independent auditor's report and accompanying notes)**

## 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. Contributions consist of donations and fundraising revenue, program contributions and grants. 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.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Where a portion of an externally restricted contribution relates to a future period, it is deferred and recognized in the subsequent period. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Contributions related to the acquisition of land are recognized in full in the year of the land acquisiton.

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 initally 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, 5 years for equipment and over the term of the lease for leasehold improvements. Assets acquired and not available for use are not amortized.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES - cont'd

### 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 revenue and expenditures during the reporting periods. Management makes estimates when determining the estimated useful lives of capital assets. Actual results could differ from those estimates.

## NOTE 3 CAPITAL ASSETS

Capital assets consist of the following:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Cost | Accumulated amortization |
| Land | $ 60,000 | $ - | $ 60,000 | $ - |
| Building | 191,703 | 29,882 | 191,703 | 22,214 |
| Equipment | 93,308 | 42,827 | 72,272 | 24,165 |
| Leasehold improvements | 648,550 | 429,586 | 644,351 | 243,806 |
| | 993,561 | $ 502,295 | 968,326 | $ 290,185 |
| Accumulated amortization | 502,295 | | 290,185 | |
| | $ 491,266 | | $ 678,141 | |

## NOTE 4 DEFERRED REVENUE

Deferred revenue consists of the following:

| | Capital | Operating | Total 2023 | Total 2022 |
|---|---|---|---|---|
| Balance at beginning of year | $ - | $ 139,898 | $ 139,898 | $ 130,351 |
| Contributions received | 10,000 | 85,788 | 95,788 | 175,597 |
| Transfer to deferred capital contributions | - | (17,150) | (17,150) | (67,248) |
| Funds expended | - | (132,844) | (132,844) | (98,802) |
| | $ 10,000 | $ 75,692 | $ 85,692 | $ 139,898 |

## NOTE 5 DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized 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.

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | $ 538,588 | $ 460,093 |
| Add: capital contributions received and spent in year | 17,150 | 167,180 |
| Add: transfer from deferred revenue | - | 67,248 |
| Less: amortization of deferred capital contributions | (159,363) | (155,933) |
| Balance at end of year | $ 396,375 | $ 538,588 |

## NOTE 6 INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

| | 2023 | 2022 |
|---|---|---|
| Capital assets (Note 3) | $ 491,266 | $ 678,141 |
| Deferred revenue related to capital (Note 4) | (10,000) | - |
| Deferred capital contributions (Note 5) | (396,375) | (538,588) |
| | $ 84,891 | $ 139,553 |

## NOTE 7 TRANSFER (FROM) TO NET ASSETS INVESTED IN CAPITAL ASSETS

During the year $1,915 was transferred from net assets invested in capital assets to unrestricted net assets (2022 - $115,517 was transferred to net assets invested in capital assets from unrestricted net assets) calculated as follows:

| | 2023 | 2022 |
|---|---|---|
| Purchase of capital assets | $ 25,235 | $ 282,697 |
| Capital contributions received in year | (17,150) | (167,180) |
| Unspent capital contributions deferred in year | (10,000) | - |
| | $ (1,915) | $ 115,517 |

## NOTE 8 FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. There has been no change from the prior year end and as a result the organization is not subject to significant interest rate, liquidity, currency, market or credit risks arising from its financial instruments.

## NOTE 9 COMMITMENTS

### Lease commitments

The organization operates out of a leased premises. The Community Kitchen's lease expires on June 30, 2025 with monthly payments of $1 and has been paid in advance.

### 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 accomodation. The agreement has a minimum seven year term to May 2027 and was in exchange for a one-time contribution of $100,000 to be used for Transition House renovations.