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, 2024, 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, 2024 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, 2024 and 2023, or to current assets as of December 31, 2024 and 2023, and net assets as of January 1 and December 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended December 31, 2023 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.

Empasis of Matter - Restatement of Comparative Information

We draw attention to Note 3 to the financial statements which describes that certain comparative information presented for the year ended December 31, 2023 has been restated and the matter that gives rise to the amendment of the financial statements.

Our opinion is not modified in respect of this matter.

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
July 3, 2025

THE GRIND PEMBROKE

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2024

	2024	2023 (Restated)
ASSETS		
CURRENT ASSETS		
Cash	$ 234,526	$ 504,728
Term deposit (Note 4)	250,000	-
Accounts receivable	40,918	49,803
Prepaid expenses	8,139	11,001
	533,583	565,532
CAPITAL ASSETS (Note 5)	325,998	522,602
	$ 859,581	$ 1,088,134
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 57,725	$ 78,557
Government remittances payable	4,962	5,869
Deferred revenue (Note 6)	75,810	85,692
	138,497	170,118
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	226,722	396,375
TOTAL LIABILITIES	365,219	566,493
NET ASSETS		
Net assets invested in capital assets (Note 8)	79,276	116,227
Unrestricted net assets	415,086	405,414
	494,362	521,641
	$ 859,581	$ 1,088,134

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, 2024

	2024	2023 (Restated)
REVENUE		
Donations and fundraising revenue	$ 376,392	$ 424,628
Program contributions	2,653	2,564
Grant revenue	181,540	172,476
Rental income	19,029	20,300
Interest and other income	1,937	1,130
Amortization of deferred capital contributions (Note 7)	155,933	159,363
	737,484	780,461
EXPENDITURES		
Wages and benefits	235,260	183,115
Occupancy costs	23,805	24,546
Shelter and program costs	190,564	187,267
Office and miscellaneous	11,232	8,139
Professional fees	64,237	29,467
Advertising and promotion	852	1,203
Bank charges and interest	771	836
Insurance	10,793	10,385
Telephone and internet	5,082	6,417
Repairs and maintenance	25,467	28,296
Vehicle operating	2,850	2,613
Amortization of capital assets	193,850	195,052
	764,763	677,336
NET (EXPENDITURES) REVENUE	$ (27,279)	$ 103,125

(See independent auditor's report and accompanying notes)

THE GRIND PEMBROKE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2024

	Invested in capital assets	Unrestricted	Total 2024	Total 2023 (Restated)
NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	$ 84,891	$ 405,414	$ 490,305	$ 404,237
Correction of error (Note 3)	31,336	-	31,336	14,278
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	116,227	405,414	521,641	418,515
Net (expenditure) revenue	(37,917)	10,638	(27,279)	103,125
Transfer of net assets (Note 9)	966	(966)	-	-
NET ASSETS AT END OF YEAR	$ 79,276	$ 415,086	$ 494,362	$ 521,640

(See independent auditor's report and accompanying notes)

THE GRIND PEMBROKE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2024

	2024	2023 (Restated)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net (expenditures) revenue	$ (27,279)	$ 103,125
Adjustment for:		
Amortization of deferred capital contributions	(155,933)	(159,363)
Amortization of capital assets	193,850	195,052
	10,638	138,814
Changes in non-cash working capital components:		
Accounts receivable	8,885	(5,365)
Prepaid expenses	2,862	(4,336)
Accounts payable and accrued liabilities	(20,832)	52,485
Government remittances payable	(907)	1,435
	646	183,033
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of capital assets	(10,966)	(25,235)
Purchase of term deposit	(250,000)	-
	(260,966)	(25,235)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Deferred capital contributions spent in the year	-	17,150
Decrease in deferred revenue	(9,882)	(54,206)
	(9,882)	(37,056)
(DECREASE) INCREASE IN CASH	(270,202)	120,742
CASH AT BEGINNING OF YEAR	504,727	383,985
CASH AT END OF YEAR	$ 234,525	$ 504,727

(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 CORRECTION OF AN ERROR

At year end, it was noted that there was an error in the calculation of amortization in the previous years. As a result, the 2023 comparative figures have been restated for the following changes:

Statement of Financial Position

Increase in capital assets and corresponding increase in net assets invested in capital assets	$ 31,336

Statement of Operations

Decrease in amortization of capital assets and corresponding increase in net revenue	$ 17,058
Increase in net assets, beginning of the year	14,278
Increase in net assets, end of year	$ 31,336

NOTE 4 TERM DEPOSIT

Term deposit consists of a redeemable one-year term deposit with a maturity date of December 19, 2025 and bearing an interest rate of 2% per annum.

NOTE 5 CAPITAL ASSETS

Capital assets consist of the following:

	2024		2023 (Restated)	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	$ 60,000	$ -	$ 60,000	$ -
Building	191,703	37,550	191,703	29,882
Equipment	85,824	58,339	93,308	45,609
Leasehold improvements	648,550	564,190	648,550	395,468
	986,077	$ 660,079	993,561	$ 470,959
Accumulated amortization	660,079		470,959	
	$ 325,998		$ 522,602	

(See independent auditor's report)

NOTE 6 DEFERRED REVENUE

Deferred revenue consists of the following:

	Capital	Operating	Total 2024	Total 2023
Balance at beginning of year	$ 10,000	$ 75,692	$ 85,692	$ 139,898
Contributions received	10,000	4,269	14,269	95,788
Transfer to deferred capital contributions	-	-	-	(17,150)
Funds expended	-	(24,151)	(24,151)	(132,844)
	$ 20,000	$ 55,810	$ 75,810	$ 85,692

NOTE 7 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.

	2024	2023
Balance at beginning of year	$ 396,375	$ 538,588
Add: capital contributions received and spent in year	-	17,150
Less: deferred capital contributions earned on disposal of capital assets	(13,720)	-
Less: amortization of deferred capital contributions	(155,933)	(159,363)
Balance at end of year	$ 226,722	$ 396,375

NOTE 8 INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2024	2023 (Restated)
Capital assets (Note 5)	$ 325,998	$ 522,602
Deferred revenue related to capital (Note 6)	(20,000)	(10,000)
Deferred capital contributions (Note 7)	(226,722)	(396,375)
	$ 79,276	$ 116,227

NOTE 9 TRANSFER (FROM) TO NET ASSETS INVESTED IN CAPITAL ASSETS

During the year $966 was transferred to net assets invested in capital assets from unrestricted net assets (2023 - $1,915 was transferred from net assets invested in capital assets to unrestricted net assets) calculated as follows:

	2024	2023
Purchase of capital assets	$ 10,966	$ 25,235
Capital contributions received in year	-	(17,150)
Unspent capital contributions deferred in year	(10,000)	(10,000)
	$ 966	$ (1,915)

(See independent auditor's report)

NOTE 10 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, credit or other price risks arising from its financial instruments.

NOTE 11 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.

NOTE 12 COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.