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# The Fredericton Homeless Shelters Inc.

**Financial Statements**  
**December 31, 2017**

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# The Fredericton Homeless Shelters Inc.

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December 31, 2017

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## Independent Auditor's Report

To: The Directors of The Fredericton Homeless Shelters Inc.

We have audited the accompanying financial statements of The Fredericton Homeless Shelters Inc., which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

The Fredericton Homeless Shelters Inc., in common with many charitable organizations, derives revenue from donations and fundraising from the general public, and rent from residents, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of revenues was limited to the amounts recorded in the records of The Fredericton Homeless Shelters Inc. and were not able to determine whether any adjustments to revenues, deficiency of revenues over expenditures, and unrestricted net assets were necessary.

# The Fredericton Homeless Shelters Inc.

Statement of Financial Position

As at December 31, 2017

	2017	2016	2015
<b>ASSETS</b>			
Current			
Cash (note 3)	\$ 98,785	\$ 78,371	\$ 46,756
Accounts receivable	36,602	31,848	12,813
Restricted cash (note 7)	4,700	11,638	46,350
HST receivable	5,459	7,937	6,539
	<u>145,546</u>	<u>129,794</u>	<u>112,458</u>
Investments (note 4)	90,355	86,295	78,951
Capital assets (note 5)	<u>293,478</u>	<u>307,586</u>	<u>187,315</u>
	<u>\$ 529,379</u>	<u>\$ 523,675</u>	<u>\$ 378,724</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities (note 6)	\$ 46,499	\$ 43,947	\$ 25,727
Deferred donations and grants (note 7)	<u>4,700</u>	<u>11,638</u>	<u>46,350</u>
	51,199	55,585	72,077
Deferred contributions (note 8)	<u>253,714</u>	<u>263,577</u>	<u>175,241</u>
	<u>304,913</u>	<u>319,162</u>	<u>247,318</u>
<b>NET ASSETS</b>			
Unrestricted	184,701	160,504	119,332
Invested in capital assets	<u>39,765</u>	<u>44,009</u>	<u>12,074</u>
	<u>224,466</u>	<u>204,513</u>	<u>131,406</u>
	<u>\$ 529,379</u>	<u>\$ 523,675</u>	<u>\$ 378,724</u>

Approved

Directors



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## The Fredericton Homeless Shelters Inc.

Statement of Changes in Net Assets

Year ended December 31, 2017

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	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>Total 2017</u>	<u>Total 2016</u>	<u>Total 2015</u>
Balance, opening	\$ 160,504	\$ 44,009	\$ 204,513	\$ 131,406	\$ 196,179
Excess (deficiency) of revenues over expenditures	19,953	-	19,953	73,107	(64,773)
Amortization of capital assets	14,108	(14,108)	-	-	-
Amortization of deferred contributions	<u>(9,864)</u>	<u>9,864</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, closing	<u>\$ 184,701</u>	<u>\$ 39,765</u>	<u>\$ 224,466</u>	<u>\$ 204,513</u>	<u>\$ 131,406</u>



# The Fredericton Homeless Shelters Inc.

Statement of Operations  
Year ended December 31, 2017

	2017	2016	2015
<b>Revenues</b>			
Donations and fundraising - unrestricted	\$ 362,521	\$ 331,501	\$ 258,006
Province of NB Funding	123,997	118,397	114,397
Unrestricted grants	104,805	103,673	63,551
Guest rent	65,018	60,786	59,979
Other revenue	14,627	9,302	2,699
Restricted grants	11,638	6,244	-
Amortization of deferred contributions	9,864	9,881	6,651
Wage subsidies	-	12,725	-
	<u>692,470</u>	<u>652,509</u>	<u>505,283</u>
<b>Expenditures</b>			
Salaries and related benefits	503,602	436,626	440,503
Fundraising	53,558	42,984	39,081
Telephone and utilities	27,286	19,143	18,954
Office	21,515	19,675	15,957
Repairs and maintenance	19,639	12,671	25,363
Amortization	14,108	14,112	8,807
Professional fees	8,267	9,063	6,316
Program expenses	7,801	-	-
Rent	7,740	7,704	7,668
Insurance	6,033	5,352	5,082
Interest and bank charges	2,419	2,533	1,780
Conferences and training	1,921	5,971	269
Miscellaneous	1,594	967	303
Committee expenses	1,094	446	758
	<u>676,577</u>	<u>577,247</u>	<u>570,841</u>
Excess (deficiency) of revenues over expenditures from operations	<u>15,893</u>	<u>75,262</u>	<u>(65,558)</u>
<b>Other income (expenses)</b>			
Investment income	2,581	2,442	3,317
Market value adjustment for investments	1,479	4,903	(4,014)
Gain on sale of investments	-	-	1,482
Termination settlement	-	(9,500)	-
	<u>4,060</u>	<u>(2,155)</u>	<u>785</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 19,953</u>	<u>\$ 73,107</u>	<u>\$ (64,773)</u>

# The Fredericton Homeless Shelters Inc.

Statement of Cash Flows  
Year ended December 31, 2017

	2017	2016	2015
Operating activities			
Cash received from donations	\$ 357,767	\$ 324,104	\$ 291,543
Cash received from grants	248,129	302,209	177,948
Cash received from client services	65,018	60,786	59,979
Cash received from investments and other activities	2,581	2,442	3,648
Cash paid to employees and suppliers	<u>(657,438)</u>	<u>(555,813)</u>	<u>(552,613)</u>
	<u>16,057</u>	<u>133,728</u>	<u>(19,495)</u>
Investing activities			
Purchase of investments	(2,581)	(2,442)	-
Proceeds from sale of investments	-	-	46,000
Purchase of capital assets	<u>-</u>	<u>(134,383)</u>	<u>-</u>
	<u>(2,581)</u>	<u>(136,825)</u>	<u>46,000</u>
Change in cash position	13,476	(3,097)	26,505
Cash, opening	<u>90,009</u>	<u>93,106</u>	<u>66,601</u>
Cash, closing	<u>\$ 103,485</u>	<u>\$ 90,009</u>	<u>\$ 93,106</u>
Cash consists of:			
Cash	\$ 98,785	\$ 78,371	\$ 46,756
Restricted cash	<u>4,700</u>	<u>11,638</u>	<u>46,350</u>
	<u>\$ 103,485</u>	<u>\$ 90,009</u>	<u>\$ 93,106</u>

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# The Fredericton Homeless Shelters Inc.

Notes to Financial Statements

December 31, 2017

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1. Nature of operations

The Fredericton Homeless Shelters Inc. is a registered charity incorporated under the New Brunswick Companies Act. The organization provides temporary refuge to individuals experiencing homelessness in Fredericton, NB and surrounding areas. The organization is exempt from income taxes by virtue of paragraph 149(1)(f) of the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Revenue recognition

The organization follows the deferral method of accounting for contributions and grants. Restricted contributions and grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Rental income is recognized on a monthly basis upon completion of the rental period and when collectability is reasonably assured.

Investment income is recognized as revenue when earned.

(b) Capital assets

Capital assets are recorded at cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Building	40 years
Equipment	9 years
Leasehold improvements	40 years

(c) Contributed services and materials

Volunteers contributed time and materials to assist the organization in carrying out its mandate. Because of the difficulty of determining their fair value, contributed services and materials are not recognized in the financial statements.



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# The Fredericton Homeless Shelters Inc.

Notes to Financial Statements

December 31, 2017

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## 2. Significant accounting policies, continued

### (d) Investments

Investments in interest-bearing instruments are carried at cost plus accrued interest. Investments in equities, mutual funds, and other market based instruments are carried at market value.

### (e) 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 investments in equity instruments that are quoted in an active market, which are measured at fair value.

Financial assets measured at amortized cost include cash, restricted cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

### (f) 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## 3. Cash

A demand operating loan has been authorized by the bank to a maximum of \$40,000 and bears interest at the bank's prime lending rate plus 0.5%. A general security agreement covering all assets of the organization has been pledged as security. No amount is outstanding on this operating loan as at the year end.

## 4. Investments

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Equity Investments and Mutual Funds	\$ 48,694	\$ 45,371	\$ 38,686
Guaranteed Investment Certificate	<u>41,661</u>	<u>40,924</u>	<u>40,265</u>
	<u>\$ 90,355</u>	<u>\$ 86,295</u>	<u>\$ 78,951</u>

# The Fredericton Homeless Shelters Inc.

Notes to Financial Statements

December 31, 2017

5. Capital assets

	2017		2016	
	Cost	Accumulated amortization	Net	Net
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Building	297,003	77,728	219,275	226,700
Equipment	50,338	33,343	16,995	22,584
Leasehold improvements	43,753	6,545	37,208	38,302
	\$ 411,094	\$ 117,616	\$ 293,478	\$ 307,586

6. Accounts payable and accrued liabilities

	2017	2016	2015
Accounts payable	\$ 27,248	\$ 25,970	\$ 14,612
Accrued liabilities	19,251	17,977	11,115
	\$ 46,499	\$ 43,947	\$ 25,727

7. Restricted cash, deferred donations and grants

Donations and grants received during the year relating to expenses occurring in subsequent periods have been deferred and the cash has been restricted until the related expenses are incurred.

	2017	2016	2015
Balance, beginning of year	\$ 11,638	\$ 46,350	\$ -
Additions	4,700	17,050	46,350
Expenditures	(11,638)	(51,762)	-
	\$ 4,700	\$ 11,638	\$ 46,350

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# The Fredericton Homeless Shelters Inc.

Notes to Financial Statements

December 31, 2017

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8. Deferred contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of the year	\$ 263,577	\$ 175,241	\$ 181,892
Contributions for Grace House renovations	-	75,349	-
Contributions for Brunswick House renovations	-	22,868	-
Amortization of contributions	<u>(9,863)</u>	<u>(9,881)</u>	<u>(6,651)</u>
	<u>\$ 253,714</u>	<u>\$ 263,577</u>	<u>\$ 175,241</u>

9. Financial instruments

The organization is exposed to the following risks in respect of certain of the financial instruments held:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The organization is exposed to this risk in regard to its investment in equities and mutual funds.

Interest rate risk

The organization is exposed to interest rate risk as its marketable securities are invested in fixed rate guaranteed investment certificates. The fair market value of these investments will fluctuate with changes in market interest rates.