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# **The Fredericton Homeless Shelters Inc.**

**Financial Statements**

**December 31, 2018**

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# The Fredericton Homeless Shelters Inc.

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December 31, 2018

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## Independent Auditor's Report

To: The Directors of The Fredericton Homeless Shelters Inc.

### *Qualified Opinion*

We have audited the financial statements of The Fredericton Homeless Shelters Inc., which comprise the statement of financial position as at December 31, 2018, and the statements of operations, 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 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, 2018, and its 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*

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.

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 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 Auditor's Report, continued

### *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.

Fredericton, New Brunswick  
June 18, 2019

  
Chartered Professional Accountants

# The Fredericton Homeless Shelters Inc.

Statement of Financial Position

As at December 31, 2018

	2018	2017	2016
<b>ASSETS</b>			
<b>Current</b>			
Cash (note 3)	\$ 127,297	\$ 98,785	\$ 78,371
Accounts receivable	20,247	36,602	31,848
Restricted cash (note 7)	7,467	4,700	11,638
HST receivable	<u>5,411</u>	<u>5,459</u>	<u>7,937</u>
	160,422	145,546	129,794
Investments (note 4)	91,538	90,355	86,295
Capital assets (note 5)	<u>286,127</u>	<u>293,478</u>	<u>307,586</u>
	<u>\$ 538,087</u>	<u>\$ 529,379</u>	<u>\$ 523,675</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities (note 6)	\$ 46,084	\$ 46,499	\$ 43,947
Deferred donations and grants (note 7)	<u>7,467</u>	<u>4,700</u>	<u>11,638</u>
	53,551	51,199	55,585
Deferred contributions (note 8)	<u>247,615</u>	<u>253,714</u>	<u>263,577</u>
	<u>301,166</u>	<u>304,913</u>	<u>319,162</u>
<b>NET ASSETS</b>			
Unrestricted	198,408	184,701	160,504
Invested in capital assets	<u>38,513</u>	<u>39,765</u>	<u>44,009</u>
	<u>236,921</u>	<u>224,466</u>	<u>204,513</u>
	<u>\$ 538,087</u>	<u>\$ 529,379</u>	<u>\$ 523,675</u>

Approved

Directors



# The Fredericton Homeless Shelters Inc.

Statement of Changes in Net Assets  
Year ended December 31, 2018

	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>Total 2018</u>	<u>Total 2017</u>	<u>Total 2016</u>
Balance, opening	\$ 184,701	\$ 39,765	\$ 224,466	\$ 204,513	\$ 131,406
Excess of revenues over expenditures	12,455	-	12,455	19,953	73,107
Capital asset additions net of deferred contributions	(3,383)	3,383	-	-	-
Amortization of capital assets	14,634	(14,634)	-	-	-
Amortization of deferred contributions	(9,999)	9,999	-	-	-
Balance, closing	<u>\$ 198,408</u>	<u>\$ 38,513</u>	<u>\$ 236,921</u>	<u>\$ 224,466</u>	<u>\$ 204,513</u>

# The Fredericton Homeless Shelters Inc.

Statement of Operations  
Year ended December 31, 2018

	2018	2017	2016
<b>Revenues</b>			
Donations and fundraising - unrestricted	\$ 353,279	\$ 362,521	\$ 331,501
Province of NB Funding	123,997	123,997	118,397
Unrestricted grants	89,506	104,805	103,673
Guest rent	57,241	65,018	60,786
Other revenue	22,344	14,627	9,302
Amortization of deferred contributions	9,999	9,864	9,881
Wage subsidies	8,841	-	12,725
Restricted grants	-	11,638	6,244
	<u>665,207</u>	<u>692,470</u>	<u>652,509</u>
<b>Expenditures</b>			
Salaries and related benefits	494,065	503,602	436,626
Fundraising	41,312	53,558	42,984
Telephone and utilities	29,082	27,286	19,143
Office	19,717	21,515	19,675
Repairs and maintenance	14,775	19,639	12,671
Amortization	14,634	14,108	14,112
Professional fees	9,050	8,267	9,063
Rent	7,740	7,740	7,704
Insurance	6,315	6,033	5,352
Special projects	5,620	-	-
Miscellaneous	2,964	1,594	967
Interest and bank charges	2,211	2,419	2,533
Conferences and training	2,163	1,921	5,971
Committee expenses	1,192	1,094	446
Program expenses	95	7,801	-
	<u>650,935</u>	<u>676,577</u>	<u>577,247</u>
Excess of revenues over expenditures from operations	<u>14,272</u>	<u>15,893</u>	<u>75,262</u>
<b>Other income (expenses)</b>			
Investment income	2,639	2,581	2,442
Market value adjustment for investments	(4,456)	1,479	4,903
Termination settlement	-	-	(9,500)
	<u>(1,817)</u>	<u>4,060</u>	<u>(2,155)</u>
Excess of revenues over expenditures	<u>\$ 12,455</u>	<u>\$ 19,953</u>	<u>\$ 73,107</u>

# The Fredericton Homeless Shelters Inc.

Statement of Cash Flows  
Year ended December 31, 2018

	2018	2017	2016
<b>Operating activities</b>			
Cash received from donations	\$ 372,401	\$ 357,767	\$ 324,104
Cash received from grants	244,688	248,129	302,209
Cash received from client services	57,241	65,018	60,786
Cash received from investments and other activities	2,639	2,581	2,442
Cash paid to employees and suppliers	<u>(636,668)</u>	<u>(657,438)</u>	<u>(555,813)</u>
	<u>40,301</u>	<u>16,057</u>	<u>133,728</u>
<b>Investing activities</b>			
Purchase of investments	(5,639)	(2,581)	(2,442)
Purchase of capital assets	<u>(3,383)</u>	<u>-</u>	<u>(134,383)</u>
	<u>(9,022)</u>	<u>(2,581)</u>	<u>(136,825)</u>
Change in cash position	31,279	13,476	(3,097)
Cash, opening	<u>103,485</u>	<u>90,009</u>	<u>93,106</u>
Cash, closing	<u>\$ 134,764</u>	<u>\$ 103,485</u>	<u>\$ 90,009</u>
<b>Cash consists of:</b>			
Cash	\$ 127,297	\$ 98,785	\$ 78,371
Restricted cash	<u>7,467</u>	<u>4,700</u>	<u>11,638</u>
	<u>\$ 134,764</u>	<u>\$ 103,485</u>	<u>\$ 90,009</u>



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# The Fredericton Homeless Shelters Inc.

Notes to Financial Statements  
December 31, 2018

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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 accounting 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, 2018

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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>2018</u>	<u>2017</u>	<u>2016</u>
Equity Investments and Mutual Funds	\$ 46,108	\$ 48,694	\$ 45,371
Guaranteed Investment Certificates	<u>45,430</u>	<u>41,661</u>	<u>40,924</u>
	<u>\$ 91,538</u>	<u>\$ 90,355</u>	<u>\$ 86,295</u>

# The Fredericton Homeless Shelters Inc.

Notes to Financial Statements

December 31, 2018

5. Capital assets

	2018		2017	
	Cost	Accumulated amortization	Net	Net
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Building	297,003	85,153	211,850	219,275
Equipment	57,621	39,458	18,163	16,995
Leasehold improvements	43,753	7,639	36,114	37,208
	\$ 418,377	\$ 132,250	\$ 286,127	\$ 293,478

6. Accounts payable and accrued liabilities

	2018		2017		2016	
Accounts payable	\$ 23,431	\$ 27,248	\$ 25,970	\$ 22,653	\$ 19,251	\$ 17,977
Accrued liabilities	22,653	19,251	17,977	46,084	46,499	43,947
	\$ 46,084	\$ 46,499	\$ 43,947	\$ 46,084	\$ 46,499	\$ 43,947

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.

	2018		2017		2016	
Balance, beginning of year	\$ 4,700	\$ 11,638	\$ 46,350	7,890	4,700	17,050
Additions	7,890	4,700	17,050	(5,123)	(11,638)	(51,762)
Expenditures	(5,123)	(11,638)	(51,762)	\$ 7,467	\$ 4,700	\$ 11,638

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# The Fredericton Homeless Shelters Inc.

Notes to Financial Statements

December 31, 2018

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8. Deferred contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Balance, beginning of the year	\$ 253,714	\$ 263,577	\$ 175,241
Contributions for Grace House renovations	-	-	75,349
Contributions for Brunswick House renovations	-	-	22,868
Transfer from deferred donations	3,900	-	-
Amortization of contributions	<u>(9,999)</u>	<u>(9,863)</u>	<u>(9,881)</u>
	<u>\$ 247,615</u>	<u>\$ 253,714</u>	<u>\$ 263,577</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.