

**GRACE INN SHELTER**  
**Financial Statements**

---

Year Ended December 31, 2019

*(Unaudited)*

**ERIC REYNOLDS**  

---

**CHARTERED ACCOUNTANT**

---

**GRACE INN SHELTER**  
Index to the Financial Statements  
Year Ended December 31, 2019  
*(Unaudited)*

**Contents**

	Page
Review Engagement Report	3
Statement of Financial Position	4
Statement of Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-10

**ERIC REYNOLDS**  

---

**CHARTERED ACCOUNTANT**

---

**REVIEW ENGAGEMENT REPORT**

To the Board of Directors of GRACE INN SHELTER

I have reviewed the statement of financial position of GRACE INN SHELTER as at December 31, 2019, and the statements of operations, 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.

**Practitioner's Responsibility**

My responsibility is to express a conclusion on the accompanying financial statements based on my review. I conducted my review in accordance with Canadian generally accepted standards for review engagements, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, I do not express an audit opinion on these financial statements.

**Basis for Qualified Conclusion**

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraisers, the completeness of which is not susceptible to us obtaining satisfactory review evidence. Accordingly, my evidence of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenue, net income(loss), assets, net assets and cash flows from operations.

**Qualified Conclusion**

Based on my review, except for the effect of any adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the donations and fundraisers referred to in the preceding paragraph, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of GRACE INN SHELTER as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian standards for not-for-profit organizations.

Eric Reynolds Chartered Accountant  
Licensed Public Accountant



Eric Reynolds CPA, CA

June 10, 2020

**GRACE INN SHELTER**  
Statement of Financial Position as at December 31, 2019  
(Unaudited)

	2019	2018
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
Current		
Cash	127,619	344,908
Investments (note 4)	5,032	-
Accounts receivable, trade and other	18,533	4,794
Due from government	35,154	6,111
Prepaid expenses and other assets	5,118	3,654
	191,456	359,467
Property, plant and equipment (Note 5)		
Cost	640,654	58,364
Accumulated Amortization	(18,867)	(3,061)
	621,787	55,303
	813,243	414,770
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	122,761	2,938
	122,761	2,938
Deferred revenue (note 3)	-	15,335
	-	15,335
Fund balances		
Net Assets	690,482	396,497
	690,482	396,497
	813,243	414,770

See accompanying notes to the unaudited financial statements

Approved by:

Director: \_\_\_\_\_

Director: \_\_\_\_\_

**GRACE INN SHELTER**  
Statement of Net Assets for the year ended December 31, 2019  
*(Unaudited)*

	2019	2018
	\$	\$
Net Assets, beginning of the year, as previously stated	396,497	64,057
<u>Prior Period Adjustment (Note 8)</u>	<u>-</u>	<u>(632)</u>
Net Assets, adjusted, beginning of the year	396,497	63,425
Excess revenues over expenses	293,985	333,072
<u>Net Assets, end of the year</u>	<u>690,482</u>	<u>396,497</u>

**GRACE INN SHELTER**  
Statement of Operations for the year ended December 31, 2019  
(Unaudited)

	2019	2018
	\$	\$
<b>Revenues</b>		
Donations	203,666	174,288
Gifts from other charities	135,573	203,986
Other revenue	335	-
Interest revenue	32	-
Gifts in kind	49,386	-
Fundraising revenue	35,597	-
Grants from municipalities	63,001	-
	<u>487,590</u>	<u>378,274</u>
<b>Operating Expenses:</b>		
Advertising and promotion	772	1,330
Amortization of property, plant and equipment	15,806	2,429
Charitable contributions	3,765	2,118
Insurance	1,396	-
Interest and bank charges	3,915	1,260
Fundraising expenses	1,991	1,939
Guest accounts	3,897	-
Memberships and licenses	125	-
Office expenses	8,157	444
Kitchen costs	5,567	-
Professional fees	4,618	1,500
Rent	31,281	31,182
Repairs and maintenance	1,916	-
Salaries and wages	96,383	-
Supplies	1,977	-
Telephone	943	125
Training	1,051	-
Travel expense	6,844	-
Utilities	2,994	2,875
Security costs	207	-
	<u>193,605</u>	<u>45,202</u>
<b>Net revenues over expenses</b>	<u>293,985</u>	<u>333,072</u>

See accompanying notes to the unaudited financial statements

**GRACE INN SHELTER**

Statement of Cash Flows for the year ended December 31, 2019  
(Unaudited)

	2019	2018
	\$	\$
<b>Cash flows from operating activities</b>		
Net Revenues over expenses	293,985	333,072
Items not affecting cash:		
Amortization of property, plant and equipment	15,806	2,429
Changes in non-cash working capital:		
Accounts receivable	(13,739)	(3,102)
Due from government	(29,043)	(2,668)
Prepaid expenses and other assets	(1,464)	99
Accounts payable and accrued liabilities	119,825	2,773
Deferred revenue	(15,335)	15,335
<b>Net cash provided by operating activities</b>	<b>370,035</b>	<b>347,938</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(582,324)	(40,551)
Purchase of long-term investments	(5,000)	-
<b>Net cash used in investing activities</b>	<b>(587,324)</b>	<b>(40,551)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(217,289)</b>	<b>307,387</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>344,908</b>	<b>37,521</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>127,619</b>	<b>344,908</b>
<b>Cash and cash equivalents consists of:</b>		
Cash	127,619	344,908

**GRACE INN SHELTER**  
Notes to Financial Statements  
Year Ended December 31, 2019  
(Unaudited)

**1. Nature of the Organization.**

Grace Inn Shelter will house homeless adults in a safe, dignified and hospitable environment, by meeting essentials needs, providing compassionated mentors, and advocating for a future with hope.

Grace Inn Shelter is a religious, charitable and not-for-profit organization, registered by Canada Revenue Agency for tax-deductible contributions. The organization also claims exemption from income taxes under section 149 of the Income Tax(Canada) related to registered charities. The Letters Patent was issued November 15, 2016 under the Corporations Act of Ontario and the charitable registration was granted January 27, 2017 by the Canada Revenue Agency.

**2. Summary of Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant for the Company. Changes made upon adoption of these standards for the first year of review engagement has been shown in the Prior period adjustment Note 7.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity date of purchase of three months or less.

Property, Plant, and Equipment

Property, plant and equipment are stated at acquisition cost. Gains or losses on disposal of individual assets are recognized in the year of disposal. Donated assets are stated at fair market value and are amortized consistently with other property, plant and equipment. Amortization of property, plant and equipment, which is based on estimated useful life, is calculated on the following basis and rates set out below.

(1) Due to the nature of the leasehold improvements - if they are considered structural in nature - they are amortized at the rate of a building even though the Organization does not own the building.

Asset	Rate	Basis
Building Leasehold Improvements (1)	4%	declining balance method
Equipment	20%	declining balance method

Volunteer Services and Gifts in Kind

The organization relies on volunteer services and due to the difficult nature of determining a value of the services provided they are not recorded by the Corporation. The organization will issue and recognize a gift in kind only if the value of the donated asset is feasible and requested.

Revenue Recognition

Revenue from contributions is recognized using the deferral method. Under this method, restricted contributions are recognized in the period the related expenses are incurred or the restrictions are met.

Unrestricted contributions are recognized as revenue when received or receivable, if the amounts to be received can be reasonably estimated and collection is reasonably assured.



**GRACE INN SHELTER**  
Notes to Financial Statements  
Year Ended December 31, 2019  
(Unaudited)

**Financial Instruments**

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets at amortized cost.

Financial assets measured at amortized cost include cash, due from government, prepaid expenses and property, plant and equipment.

Financial liabilities measured at amortized cost include accounts payable.

**Use of Estimates**

The preparation of financial statements, in conformity with Canadian accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Differences in actual results from prior estimates are taken into account at the time the differences are determined. Significant financial statement items that require the use of estimates are useful life of property plant and equipment and accrued liabilities.

**3. Deferred Contributions**

Funding for future projects	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	15,335	-
Less: amount recognized as revenue in the year	15,335	-
Plus: amount received related to the following year(s)	-	15,335
Balance, end of year	<u>-</u>	<u>15,335</u>

**4. Investments**

GIC held for collateral - Issued July 5, 2019. Matures May 27, 2020. Interest Prime less 2.7% GIC. Prime rate - July 5.50% decreased to 2.45% April 2020.

<u>5,032</u>	-
--------------	---

**5. Property, Plant and Equipment**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2019 Net Book Value</b>	<b>2018 Net Book Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equipment	35,129	4,679	30,450	3,593
Building - Leasehold improvements	605,525	14,188	591,337	51,710
	<u>640,654</u>	<u>18,867</u>	<u>621,787</u>	<u>55,303</u>

**GRACE INN SHELTER**  
Notes to Financial Statements  
Year Ended December 31, 2019  
(Unaudited)

**6. Lease Commitments**

The Organization has signed a new lease agreement on January 1, 2020. This runs from January 1, 2020 to Dec 31, 2034 for a 15 year lease. The rent payment schedule is listed below net of the HST public service body rebate.

The Organization had signed a lease agreement from June 1, 2017 for a 20 year lease, ending May 31, 2037. The rent per month is \$2,600. for a total of \$31,200 each year. This was cancelled and a new lease was signed on January 1, 2020 - see above

Term's	Monthly (\$)	Yearly (\$)
2020 - 2024	5,197	62,364
2025 - 2029	5,441	65,295
2030 - 2034	5,706	68,476

**7. Financial Risks**

The organization is exposed to various risks through its financial instruments. The following analysis

a.) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations  
The organization mitigates this risk by having significant cash on hand.

b) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of the financial instruments because of changes in market interest rates. The organization is mainly exposed to this risk with their GIC.

**8. Prior period adjustment**

The organization has chosen to amortize its capital assets which was not done in its first fiscal year. A adjustment has been shown to account for this amortization.

**9. Prior year comparison**

Some reclassification was done to improve the financial statements - formerly leasehold improvements now shown as Building - Leasehold improvements.