

**REGENERATION OUTREACH
COMMUNITY**

FINANCIAL STATEMENTS

DECEMBER 31, 2017



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Regeneration Outreach Community

We have audited the accompanying financial statements of Regeneration Outreach Community, which comprise the statement of financial position as at December 31, 2017, and the statement of operations, statement of changes in net assets and statement of 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 Corporation'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 entity'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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations Regeneration Outreach Community derives a material amount of revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our examination of these revenues was limited to the amounts recorded in the records of Regeneration Outreach Community. Therefore we were not able to determine whether as at and for the years ended December 31, 2017 and 2016, any adjustments might be necessary to donations and fundraising revenue, excess of revenue over expenditures reported in the statements of operations, excess of revenue over expenditures reported in the statements of cash flows, and current assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2016.

INDEPENDENT AUDITORS' REPORT, continued

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Regeneration Outreach Community as at December 31, 2017, and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Mississauga, Ontario
April 30, 2018

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

REGENERATION OUTREACH COMMUNITY

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
Current		
Cash	\$ 102,421	\$ 125,642
Short term investment (Note 3)	10,381	10,329
Contributions receivable	14,461	-
HST recoverable	7,555	6,735
Prepaid expenses	2,915	2,000
	<u>137,733</u>	<u>144,706</u>
Investment (Note 3)	163,541	187,972
Capital assets (Note 4)	134,733	187,840
	<u>\$ 436,007</u>	<u>\$ 520,518</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 36,863	\$ 81,050
Promissory note payable (Note 5)	109,718	164,577
Deferred revenue (Note 6)	36,731	20,654
	<u>183,312</u>	<u>266,281</u>
Deferred capital contributions (Note 7)	-	1,295
	<u>183,312</u>	<u>267,576</u>
LEASE COMMITMENTS (Note 10)		
NET ASSETS		
Invested in capital assets	25,015	21,968
Unrestricted	<u>227,680</u>	<u>230,974</u>
	252,695	252,942
	<u>\$ 436,007</u>	<u>\$ 520,518</u>

Approved on behalf of the board

Director

Director



REGENERATION OUTREACH COMMUNITY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
Revenue		
Grants		
Region of Peel	\$ 324,440	\$ 279,131
Ontario Trillium Foundation grant	8,725	50,665
Foundation grants	18,999	24,451
Federal grants	16,416	12,595
Donations and fundraising	485,269	492,365
Amortization of deferred capital grants	1,295	2,523
Interest income	10,621	11,331
	<u>865,765</u>	<u>873,061</u>
Expenditures		
Salaries and related benefits	452,852	442,119
Project and program (Note 8)	228,980	254,745
Occupancy	70,628	69,391
Amortization	54,853	54,902
Professional fees	15,328	23,968
General and office supplies	8,868	9,195
Insurance	8,027	7,457
Telephone	6,081	7,291
Bank charges	2,466	5,975
Travel	6,430	4,183
Computer expense	4,367	1,145
Loss on disposal of capital assets	7,132	-
	<u>866,012</u>	<u>880,371</u>
Deficiency of revenue over expenditures	<u>\$ (247)</u>	<u>\$ (7,310)</u>



REGENERATION OUTREACH COMMUNITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Invested in capital assets	Unrestricted	2017 Total	2016 Total
Net assets, beginning of year	\$ 21,968	\$ 230,974	\$ 252,942	\$ 260,252
Excess (deficiency) of revenue over expenditures	(5,830)	5,583	(247)	(7,310)
Invested in capital assets	<u>8,877</u>	<u>(8,877)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 25,015</u>	<u>\$ 227,680</u>	<u>\$ 252,695</u>	<u>\$ 252,942</u>



See accompanying Notes to the financial statements

REGENERATION OUTREACH COMMUNITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
Cash flows from operating activities		
Deficiency of revenue over expenditures	\$ (247)	\$ (7,310)
Adjustments for		
Amortization of capital assets	54,853	54,902
Amortization of deferred capital contributions	(1,295)	(2,523)
Promissory note forgiven	(54,859)	(59,819)
Loss on disposal of capital assets	7,132	-
	<u>5,584</u>	<u>(14,750)</u>
Change in non-cash working capital items		
Contributions receivable	(14,461)	7,000
HST recoverable	(820)	258
Prepaid expenses	(915)	2,763
Accounts payable and accrued liabilities	(44,187)	58,943
Deferred revenue	16,077	(16,926)
	<u>(38,722)</u>	<u>37,288</u>
Cash flows from investing activities		
Purchase of capital assets	(8,878)	-
Purchase of investments (net)	24,379	(40,937)
	<u>(8,878)</u>	<u>(40,937)</u>
Decrease in cash	(23,221)	(3,649)
Cash, beginning of year	<u>125,642</u>	<u>129,291</u>
Cash, end of year	<u>\$ 102,421</u>	<u>\$ 125,642</u>



REGENERATION OUTREACH COMMUNITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. NATURE OF OPERATIONS

Regeneration Outreach Community (the "Organization") was incorporated August 12, 1999 without share capital under the Corporation Act (Ontario) as a charitable organization. It is exempt from income tax under the Income Tax Act (Canada), provided certain conditions are met.

The Organization's objectives are:

- (a) To relieve poverty in the City of Brampton by providing temporary shelter, food, clothing and other basic necessities of life to the poor.
- (b) To relieve poverty in the City of Brampton by establishing, maintaining and operating a community based outreach centre in the City of Brampton;
- (c) To do all such things as are incidental and ancillary to advance the Christian faith, including:
 - (i) providing a sense of Christian community;
 - (ii) retaining volunteers and staff who are motivated by their Christian faith to service those in need;
 - (iii) offering bible studies, training in ethics and morals, and modelling "Good Samaritan" lifestyles; and
 - (iv) applying biblical truths to real life issues.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements of the Organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies adopted by the Organization are as follows:

(a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

(b) Investments

Short-term investments are comprised of guaranteed investment certificates with term to maturity of one year or less.

(c) Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the methods and annual rates as follows:

Furniture and equipment	Declining balance	20%
Computer equipment	Straight-line	2 yrs
Leasehold improvements	Straight-line	7 yrs



REGENERATION OUTREACH COMMUNITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost. Financial assets subsequently measured at amortized cost include investments and accounts receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

(e) Contributed services

A substantial number of unpaid volunteers have made a significant contribution of their time to assist in the Organization's activities. While these services benefit the Organization considerably, a reasonable estimate of their amount and fair value cannot be made, and accordingly, these contributed services are not recognized in the financial statements.

(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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are capital assets and accounts payable and accrued liabilities.

3. INVESTMENTS

Short-term investments consist of a guaranteed investment certificate which matures on June 29, 2018 and bears interest at 0.50% per annum. Long-term investments consist of shares in a mortgage investment corporation which are not publicly traded.

4. CAPITAL ASSETS

	<i>2017</i> <i>Cost</i>	<i>2017</i> <i>Accumulated</i> <i>amortization</i>	<i>2017</i> <i>Net</i>	<i>2016</i> <i>Net</i>
Furniture and equipment	\$ 16,214	\$ 7,021	\$ 9,193	\$ 9,864
Computer equipment	3,034	3,034	-	-
Leasehold improvements	367,052	241,512	125,540	177,976
	<u>\$ 386,300</u>	<u>\$ 251,567</u>	<u>\$ 134,733</u>	<u>\$ 187,840</u>



REGENERATION OUTREACH COMMUNITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

5. PROMISSORY NOTE PAYABLE

	2017	2016
PROMISSORY NOTE PAYABLE	<u>\$ 109,718</u>	<u>\$ 164,577</u>

Promissory note payable

In fiscal 2013 the Organization received \$274,295 of funding from the Region of Peel under the Homelessness Partnering Strategy Program. These funds were utilized to provide upgrades and improvements to the Organization's program facilities at Grace United Church in Brampton. The loan was made pursuant to a Contribution Agreement between the Organization and the Region of Peel and is secured by a promissory note. The loan has a five year term and is forgivable in equal amounts over the term on the anniversary of the funding period, being March 31 of the subsequent five years after March 31, 2014. The loan is interest free and forgivable as long as the Organization continues to operate the breakfast program. If the program should cease the outstanding balance is due immediately with interest at 8% per annum. Should the Organization remain in compliance with the terms and conditions of the Contribution Agreement the loan would be deemed to be fully forgiven March 31, 2019.

6. DEFERRED REVENUE

Deferred revenue reported in the statement of financial position represents restricted operating funding received in the current period that is related to the subsequent period.

	2017	2016
Region of Peel	\$ 23,468	\$ 15,229
Ontario Trillium Foundation	-	5,425
Other	<u>13,263</u>	<u>-</u>
	<u>\$ 36,731</u>	<u>\$ 20,654</u>

Changes in deferred revenue are as follows:

	2017	2016
Beginning balance	\$ 20,654	\$ 37,580
Less amounts recognized as revenue in the current year	(20,654)	(37,580)
Add amounts related to the following year	<u>36,731</u>	<u>20,654</u>
	<u>\$ 36,731</u>	<u>\$ 20,654</u>



REGENERATION OUTREACH COMMUNITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

7. DEFERRED CAPITAL CONTRIBUTIONS

	2017	2016
Balance, beginning of year	\$ 1,295	\$ 3,818
Amortization of deferred contributions related to capital assets	<u>(1,295)</u>	<u>(2,523)</u>
	<u>\$ -</u>	<u>\$ 1,295</u>

8. FUNDRAISING EXPENSE

Included in project and program expense is fundraising expense of \$83,561 (2016 - \$90,802).

9. FINANCIAL INSTRUMENTS

Fair value

The fair values of cash, short-term investments, contributions receivable and accounts payable and accrued liabilities approximate their carrying value due to the relatively short periods to maturity of these items.

Financial instrument risk exposure and management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. A brief description of management's assessments of these risks is described below.

General objective, policies and processes

The Board and management are responsible for the determination of the Organization's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Organization measures and monitors risk through the preparation of review of monthly reports.

It is management's opinion that the Organization is not exposed to any significant interest rate, foreign currency and credit risk arising from its financial instruments. All of the Organization's cash is held at one major Canadian financial institution.

Liquidity risk

Liquidity risk is defined as the risk that the Organization may not be able to settle or meet its obligations as they become due. Management has taken steps to ensure that it will have sufficient working capital available to meet its obligations.

Management believes the exposure to the above risks has not changed from the prior year.



REGENERATION OUTREACH COMMUNITYNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

10. LEASE COMMITMENTS

The Organization leases office premises and program delivery space under operating leases expiring December 31, 2019. Future minimum commitments, under these operating leases are as follows:

2018	\$ 72,000
2019	<u>75,000</u>
	<u>\$ 147,000</u>

