

**REGENERATION OUTREACH COMMUNITY**

**Financial Statements**

**December 31, 2019**

**REGENERATION OUTREACH COMMUNITY**

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**Year Ended December 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Regeneration Outreach Community

### *Opinion*

We have audited the financial statements of Regeneration Outreach Community (the "Organization"), which comprise the statement of financial position as at December 31, 2019, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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 Opinion*

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

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Independent Auditor's Report to the Members of Regeneration Outreach Community *(continued)*

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.

*Hogg, Shain & Scheck PC*

Toronto, Ontario  
March 30, 2020

Authorized to practise public accounting by the  
Chartered Professional Accountants of Ontario



**REGENERATION OUTREACH COMMUNITY**



**Statement of Financial Position**

**As at December 31, 2019**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 29,343	\$ 92,983
Short term investment	-	10,432
Accounts receivable	44,218	12,228
Harmonized Sales Tax receivable	10,498	9,301
Prepaid expenses	18,921	1,600
	<u>102,980</u>	<u>126,544</u>
<b>INVESTMENT (Note 3)</b>	<b>152,639</b>	<b>143,460</b>
<b>CAPITAL ASSETS (Note 4)</b>	<b>103,874</b>	<b>85,719</b>
	<u><b>\$ 359,493</b></u>	<u><b>\$ 355,723</b></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 32,597	\$ 60,363
Deferred revenues (Note 5)	55,322	54,902
Promissory note payable (Note 6)	-	54,859
	<u>87,919</u>	<u>170,124</u>
<b>DEFERRED CAPITAL CONTRIBUTIONS (Note 7)</b>	<b>76,351</b>	<b>7,289</b>
	<u><b>164,270</b></u>	<u><b>177,413</b></u>
<b>NET ASSETS</b>		
<b>UNRESTRICTED</b>	<b>167,700</b>	<b>49,880</b>
<b>INVESTED IN CAPITAL ASSETS</b>	<b>27,523</b>	<b>78,430</b>
<b>INTERNALLY RESTRICTED RESERVE (Note 8)</b>	<b>-</b>	<b>50,000</b>
	<u><b>195,223</b></u>	<u><b>178,310</b></u>
	<u><b>\$ 359,493</b></u>	<u><b>\$ 355,723</b></u>

**COMMITMENT (Note 9)**

**APPROVED ON BEHALF OF THE BOARD**

 Director  
 Director

See the accompanying notes to these financial statements

**REGENERATION OUTREACH COMMUNITY**  
**Statement of Operations and Changes in Net Assets**  
**Year Ended December 31, 2019**

	2019	2018
<b>REVENUES</b>		
Donations and fundraising	\$ 596,817	\$ 473,610
Grants:		
Region of Peel (Note 6)	376,692	380,856
Foundations	43,864	35,000
Federal (Note 10)	39,186	-
Amortization of deferred capital contributions (Note 7)	9,833	3,123
Interest	4,591	9,971
	<u>1,070,983</u>	<u>902,560</u>
<b>EXPENSES</b>		
Salaries and benefits	625,208	532,552
Project and program	190,714	228,171
Occupancy (Note 9)	106,654	89,068
Amortization of capital assets	66,337	59,426
General and administrative	17,122	12,287
Insurance	11,784	9,625
Professional fees	10,721	11,121
Technology costs	8,861	15,898
Travel	7,372	8,847
Telephone	6,731	7,358
Bank charges	2,566	2,592
	<u>1,054,070</u>	<u>976,945</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	16,913	(74,385)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>178,310</u>	<u>252,695</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 195,223</u>	<u>\$ 178,310</u>

*See the accompanying notes to these financial statements*

# REGENERATION OUTREACH COMMUNITY

## Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	\$ 16,913	\$ (74,385)
Items not affecting cash:		
Amortization of capital assets	66,337	59,426
Amortization of deferred capital contributions	(9,833)	(3,123)
Promissory note forgiven	(54,859)	(54,859)
	<u>18,558</u>	<u>(72,941)</u>
Changes in non-cash working capital:		
Accounts receivable	(31,990)	2,233
Harmonized Sales Tax receivable	(1,197)	(1,746)
Prepaid expenses	(17,321)	1,315
Accounts payable and accrued liabilities	(27,767)	23,500
Deferred revenues	420	18,171
	<u>(77,855)</u>	<u>43,473</u>
Cash flows used by operating activities	<u>(59,297)</u>	<u>(29,468)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(84,491)	(10,412)
Proceeds from the sale of investments (net)	1,253	20,030
Cash flows from (used by) investing activities	<u>(83,238)</u>	<u>9,618</u>
<b>FINANCING ACTIVITY</b>		
Amount received for deferred capital contributions	78,895	10,412
<b>DECREASE IN CASH</b>	<u>(63,640)</u>	<u>(9,438)</u>
<b>CASH - BEGINNING OF YEAR</b>	<u>92,983</u>	<u>102,421</u>
<b>CASH - END OF YEAR</b>	<u>\$ 29,343</u>	<u>\$ 92,983</u>

*See the accompanying notes to these financial statements*

# REGENERATION OUTREACH COMMUNITY

## Notes to Financial Statements

Year Ended December 31, 2019

### 1. PURPOSE OF THE ORGANIZATION

Regeneration Outreach Community (the "Organization") was incorporated on August 12, 1999 without share capital under the Ontario Corporations Act. As a registered charity, the Organization is exempt from income tax under Section 149(1) of the Income Tax Act.

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; and
- 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 the biblical truths to real life issues.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies:

#### Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions, including grants and certain donations, are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions, including donations and fundraising, are recognized as revenues when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

#### Financial instruments

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

The financial assets subsequently measured at amortized cost include cash, accounts receivable and investment. The financial liabilities measured at amortized cost includes accounts payable.

#### Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following annual rates and methods:

Delivery vehicle	20%	straight-line method
Kitchen equipment	20%	straight-line method
Leasehold improvements	7 years	straight-line method
Office equipment	30%	straight-line method

The Organization regularly reviews its capital assets to eliminate obsolete items.

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# REGENERATION OUTREACH COMMUNITY

## Notes to Financial Statements

Year Ended December 31, 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Contributed services

Volunteers contribute an undeterminable but substantial number of hours during the year to assist the Organization in carrying out its mission and activities. Since the Organization would not otherwise purchase these services, contributed services are not recognized in these financial statements.

#### Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Such estimates are periodically reviewed and any adjustments necessary are reported in excess of revenues over expenses in the year in which they become known. Such estimates include the collectability of accounts receivable and determining the useful life of capital assets in calculating amortization. Actual results could differ from these estimates.

### 3. INVESTMENT

This represents the cost of shares in a mortgage investment corporation which are not publicly traded.

### 4. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Delivery vehicle	\$ 46,280	\$ 4,730	\$ 41,550	\$ -
Kitchen equipment	53,765	16,274	37,491	5,326
Leasehold improvements	367,052	346,384	20,668	73,104
Office equipment	10,412	6,247	4,165	7,289
	<u>\$ 477,509</u>	<u>\$ 373,635</u>	<u>\$ 103,874</u>	<u>\$ 85,719</u>

### 5. DEFERRED REVENUES

Deferred revenues at December 31 consist of the following:

	2019	2018
Donations for the purchase of a delivery truck	\$ 26,442	\$ 50,564
Ontario Trillium Foundation	16,022	-
Ontario Realtors Care Foundation	9,000	-
Other donations	3,858	4,338
	<u>\$ 55,322</u>	<u>\$ 54,902</u>

The continuity of deferred revenues for the year is as follows:

Balance, beginning of year	\$ 54,902	\$ 36,731
Add: amounts received during the year	44,016	54,902
Less: amounts recognized in the year	(43,596)	(36,731)
	<u>\$ 55,322</u>	<u>\$ 54,902</u>

# REGENERATION OUTREACH COMMUNITY

## Notes to Financial Statements

Year Ended December 31, 2019

### 6. PROMISSORY NOTE PAYABLE

	2019	2018
Promissory note payable - Region of Peel	\$ -	\$ 54,859

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 note 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 note 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 note was deemed to be fully forgiven on March 31, 2019.

### 7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions at December 31 consist of the following:

	2019	2018
Deferred donations for delivery truck	\$ 41,549	\$ -
Deferred grants for kitchen equipment	34,802	7,289
	<u>\$ 76,351</u>	<u>\$ 7,289</u>

Deferred grants include an amount from Ontario Trillium Foundation of \$23,968 and an amount from Brampton and Caledon Community Foundation of \$6670.

The continuity of deferred capital contributions for the year is as follows:

Balance, beginning of year	\$ 7,289	\$ -
Add: amounts received during the year	78,895	10,412
Less: capital contributions recognized as revenues in the year	(9,833)	(3,123)
Balance, end of year	<u>\$ 76,351</u>	<u>\$ 7,289</u>

### 8. INTERNALLY RESTRICTED RESERVE

In 2018, the Board of Directors established an internally restricted reserve to fund future capital needs. The balance of the reserve was transferred to unrestricted net assets during fiscal 2019.

### 9. COMMITMENT

The Organization leases an office premise and program delivery space under an operating lease that expired on December 31, 2019. The Organization is currently in negotiations with the landlord to extend the lease and is currently paying rent on a month to month basis of approximately \$8,400 per month.

# REGENERATION OUTREACH COMMUNITY

## Notes to Financial Statements

Year Ended December 31, 2019

### 10. GRANTS

Grants revenues for the year consist of the following:

	2019	2018
Employment and Social Development Canada - Summer Jobs Employment grant	\$ 34,022	\$ -
Ontario Trillium Foundation - project grant	5,164	-
	<u>\$ 39,186</u>	<u>\$ -</u>

### 11. FINANCIAL INSTRUMENTS

It is management's opinion that the Organization is not exposed to significant liquidity or credit risks and that existing cash balances and cash flows generated from operations are sufficient to meet the Organization's financial liabilities. The Organization is not exposed to interest rate, currency or other price risks or any significant concentrations of risk in its operations.