

The Inn of the Good Shepherd (Sarnia) Inc.

**Financial Statements
March 31, 2018**

Independent Auditor's Report	1 - 2
Statement Of Operations	3
Statement Of Changes In Net Assets	4
Statement Of Financial Position	5
Statement Of Cash Flows	6
Notes To Financial Statements	7 - 11
Supplementary Financial Information	12 - 16

Independent Auditor's Report

To the Board of The Inn of the Good Shepherd (Sarnia) Inc.

We have audited the accompanying financial statements of The Inn of the Good Shepherd (Sarnia) Inc., which comprise the statement of financial position as at March 31, 2018 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 judgement, 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 entity'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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

**Independent
Auditor's Report cont'd...**

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fund raising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenue over expenditures, assets and fund balances. The accuracy of the number of pounds of food collected and donated and distributed could not be verified either and we were not able to determine whether any adjustment might be necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion Paragraph, the financial statements present fairly, in all material respects, the financial position of The Inn of the Good Shepherd (Sarnia) Inc. as at March 31, 2018, 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.

Collins Barrer Sarnia L.L.P.

**Sarnia, Ontario
June 12, 2018**

**Chartered Professional Accountants
Licensed Public Accountants**

The Inn of the Good Shepherd (Sarnia) Inc.
Statement Of Operations
For The Year Ended March 31, 2018

	2018	2017
Revenue		
Ontario Ministry of Community and Social Services	\$ 263,321	\$ 263,321
County of Lambton	197,162	194,715
County of Lambton - Other	448,839	418,658
Canada Employment Centre	15,334	15,275
Children's Aid Society	339	1,418
Donations and fundraising	1,015,799	1,054,924
Transitional Housing Rent	44,000	27,988
Mobile Market	24,100	10,750
Gifts in kind - donated food	1,403,840	1,487,483
Interest income	2,191	2,695
Miscellaneous income	200	2,189
Trillium grant	62,350	-
Transit bus passes	<u>232,835</u>	<u>199,678</u>
	<u>3,710,310</u>	<u>3,679,094</u>
Expenditures		
Building occupancy	5,671	7,060
Emergency shelter	2,266	3,469
Employee benefits	170,807	156,671
Food services	67,308	81,723
Fundraising expenses	64,060	110,589
Gifts in kind - donated food	1,403,840	1,487,483
Insurance	41,383	44,997
Miscellaneous	22,651	13,444
Office	63,224	53,520
Professional services	25,635	30,612
Promotion and publicity	17,142	10,091
Program expenses	385,001	326,290
Repairs and maintenance	14,737	15,794
Salaries	1,152,731	1,071,446
Transit bus passes	236,167	160,789
Training and recruitment	2,285	5,578
Travel	15,623	18,884
School kits	10,196	15,400
Utilities	<u>55,827</u>	<u>79,731</u>
	<u>3,756,554</u>	<u>3,693,571</u>
Deficiency Of Revenue Over Expenditures Before Other Items	<u>(46,244)</u>	<u>(14,477)</u>
Other Items		
Amortization of property, plant and equipment	(167,349)	(155,713)
Amortization of deferred contributions (note 4)	143,876	145,726
Loss on disposal of property, plant and equipment	<u>-</u>	<u>(1,040)</u>
	<u>(23,473)</u>	<u>(11,027)</u>
Net Deficiency Of Revenue Over Expenditures	<u>\$ (69,717)</u>	<u>\$ (25,504)</u>

The Inn of the Good Shepherd (Sarnia) Inc.
Statement Of Changes In Net Assets
For The Year Ended March 31, 2018

	2018	2017
Balance, Beginning	\$ 1,039,031	\$ 1,064,535
Net Deficiency Of Revenue Over Expenditures	<u>(69,717)</u>	<u>(25,504)</u>
Balance, Ending	<u>\$ 969,314</u>	<u>\$ 1,039,031</u>

The Inn of the Good Shepherd (Sarnia) Inc.
Statement Of Financial Position
March 31, 2018

	2018	2017
Assets		
Current Assets		
Cash	\$ 33,257	\$ 85,787
Cash and term deposits in trust (note 3)	<u>155,137</u>	<u>109,655</u>
	188,394	195,442
HST recoverable	21,783	29,148
Prepaid expenses	<u>20,195</u>	<u>28,597</u>
	230,372	253,187
Property, plant and equipment (note 2)	<u>2,654,667</u>	<u>2,800,771</u>
	\$ 2,885,039	\$ 3,053,958
Liabilities		
Current Liabilities		
Accrued liabilities	\$ 30,158	\$ 30,965
Deferred revenue in trust (note 3)	155,137	109,655
Current portion of deferred contributions related to property, plant and equipment (note 4)	<u>143,877</u>	<u>143,877</u>
	329,172	284,497
Deferred contributions related to property, plant and equipment (note 4)	<u>1,586,553</u>	<u>1,730,430</u>
	<u>1,915,725</u>	<u>2,014,927</u>
Fund Balances		
Net assets invested in property, plant and equipment (note 7)	924,237	926,464
Capital reserve fund (note 7)	33,431	33,431
Operating reserve fund (note 7)	<u>11,646</u>	<u>79,136</u>
	<u>969,314</u>	<u>1,039,031</u>
	\$ 2,885,039	\$ 3,053,958

On Behalf Of The Board

 Directors

The Inn of the Good Shepherd (Sarnia) Inc.
Statement Of Cash Flows
For The Year Ended March 31, 2018

	2018	2017
Cash Provided By (Used For)		
Operating Activities		
Net deficiency of revenue over expenditures	\$ (69,717)	\$ (25,504)
Items not requiring cash:		
Amortization	167,349	155,713
Amortization of deferred contributions	(143,876)	(145,726)
Loss on disposal of property, plant and equipment	<u>-</u>	<u>1,040</u>
	(46,244)	(14,477)
Net change in non-cash working capital items affecting operations:		
HST recoverable	7,365	9,112
Prepaid expenses	8,402	28,282
Accounts payable and accrued liabilities	(807)	4,720
Deferred revenue and contributions	<u>45,482</u>	<u>(37,083)</u>
	<u>14,198</u>	<u>(9,446)</u>
Investing Activities		
Purchase of property, plant and equipment	(21,246)	(126,931)
Proceeds from sale of property, plant and equipment	<u>-</u>	<u>500</u>
	<u>(21,246)</u>	<u>(126,431)</u>
Decrease In Cash Position	(7,048)	(135,877)
Cash Position, Beginning	<u>195,442</u>	<u>331,319</u>
Cash Position, Ending	<u>\$ 188,394</u>	<u>\$ 195,442</u>

Nature Of Activities

The Inn of the Good Shepherd (Sarnia) Inc. operates a community outreach program, community homelessness program, a soup kitchen and food bank, and a temporary shelter program.

1. Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate program in the year in which the related expenses are incurred.

Unrestricted Contributions

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.

Contributions for the Purchase of Property, Plant and Equipment

Contributions received that relate to property, plant and equipment are amortized over the estimated useful life of the related asset.

Gifts in Kind - Donated Food

Donated materials and services are recorded in the financial statements as gifts in kind at fair market value when fair market value can be reasonably estimated and when the organization would otherwise have required these items. Food, milk, other supplies, and other services of \$1,403,840 were donated during the year and are included in the statement of operations (2017 - \$1,487,483).

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization is provided on the declining balance method using the following rates:

Building	5 %
Computer	30 %
Equipment	20 %
Vehicle	30 %
Fence	20 %
Land Improvements	5 %
Parking Lot	8 %

The Inn of the Good Shepherd (Sarnia) Inc.
Notes To Financial Statements
March 31, 2018

1. Significant Accounting Policies cont'd...

Income Taxes

The organization qualifies as a Charitable organization as defined in the Income Tax Act and, as such, is exempt from income tax.

Financial Instruments

The organization initially measures its financial instruments at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

Financial instruments measured at amortized cost include cash, accounts payable and accrued liabilities, and deferred revenue.

Financial assets measured at amortized cost are tested for impairment at the end of each year, and the amount of any write-down, if any, is recognized in excess of revenue over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement and the amount of reversal is recognized in excess of revenue over expenditures. The reversal may be recorded provided it is no greater than the amount that has previously been reported as a reduction in the asset and it does not exceed original cost.

Use Of Estimates

The preparation of financial statements 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 date of the financial statements and the reported amounts of revenues and expenses during the year. The significant estimates are the estimates for accounts payable and accrued liabilities, and amortization of property, plant and equipment. Actual results could differ from those estimates.

2. Property, Plant and Equipment

2018

2017

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$ 795,603	\$ -	\$ 795,603	\$ 795,603
Building	2,977,059	1,225,240	1,751,819	1,867,895
Computer	41,036	36,138	4,898	5,154
Equipment	167,480	137,462	30,018	36,363
Vehicle	78,590	56,430	22,160	40,426
Fence	34,230	23,199	11,031	12,304
Land Improvements	18,212	12,813	5,399	6,354
Parking Lot	<u>63,000</u>	<u>29,261</u>	<u>33,739</u>	<u>36,672</u>
	<u>\$ 4,175,210</u>	<u>\$ 1,520,543</u>	<u>\$ 2,654,667</u>	<u>\$ 2,800,771</u>

Notes continued on page 9...

The Inn of the Good Shepherd (Sarnia) Inc.
Notes To Financial Statements
March 31, 2018

3. Deferred Revenue in Trust

2018

2017

Deferred revenue - current year programs	\$ <u>155,137</u>	\$ <u>109,655</u>
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The deferred revenue is held in trust for current year expenditures and is used for the following programs: Rent/Utility, Shelter, Outreach, and General. These funds were from donations received from large corporations, individuals and fund raising.

4. Deferred Contributions Relating To Property, Plant And Equipment

Deferred contributions relating to the property, plant and equipment are amortized over the estimated life of the related property, plant and equipment. The changes for the year in the deferred contribution balance are as follows:

	2018	2017
Balance, beginning	\$ 1,874,307	\$ 2,020,033
Amortization of contributions	<u>(143,877)</u>	<u>(145,726)</u>
Balance, ending	1,730,430	1,874,307
Current portion of amortization of contributions	<u>(143,877)</u>	<u>(143,877)</u>
	\$ <u>1,586,553</u>	\$ <u>1,730,430</u>

5. Commitment and Contingency

Under the terms of the agreement with the County of Lambton regarding the purchase of the land and building located at 940 Confederation Street, the organization is required to use that location for the purpose of providing Emergency Shelter and Transitional Housing until April 15, 2023. According to the agreement, if the organization sells the premises it is required to pay the County of Lambton 35% of the net proceeds realized from the sale less any amount already paid to the County of Lambton.

In addition, if the organization terminates the Emergency Shelter and or Transitional Housing service within the first year of substantial completion, the organization is required to reimburse the County of Lambton \$650,000. The required repayment then decreases by \$45,500 for each year the organization offers the Emergency Shelter and or Transitional Housing service. As of March 31, 2018 the required amount is \$195,000 (2017 - \$240,500). Any repayments will be expensed in the year that they occur.

6. Bank Loan

The organization has one operating line of credit. The line of credit of \$150,000 is secured by the property located at 115 John Street and the property located at 940 Confederation Street. Interest is charged at the rate of prime plus 2.75% and there is an outstanding balance of \$Nil as of March 31, 2018. The line of credit is available as required and is used regularly to run daily operations.

7. Net Assets Invested in Property, Plant and Equipment

These funds are related specifically to the property plant and equipment. Deferred contributions relating to the property, plant and equipment are amortized over the estimated life of the related assets.

The capital reserve of \$33,431 has been targeted for roof repair, HVAC system replacement, other capital upgrades, as well as, any other unforeseen contingencies, these are the restricted funds.

The operating reserve, at this time, is unrestricted with an available balance of \$11,646 (2017 - \$79,136) for daily activities. Both balances have been agreed to by the Board of Directors.

8. Financial Instruments Risks Disclosures

The main risks the organization's financial instruments are exposed to are credit risk, liquidity risk, and market risk each of which is discussed below.

Credit Risk

The organization is exposed to credit risk in the event of non-payment by their donors for their accounts receivable. The organization is not exposed to credit risk.

Liquidity Risk

Liquidity risk relates to the risk the organization will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

Market Risk (Price Risk)

Market risk is the risk that changes in market prices and interest rates will affect the organization's net assets or the value of financial instruments. These risks are generally outside the control of the organization. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization's financial instruments are all in Canadian dollars and consequently the organization has no currency risk.

Notes continued on page 11....

8. Financial Instruments Risks Disclosures cont'd...

Interest Rate Risk

The organization can be exposed to interest rate cash flow risk to the extent that a portion of the long-term debt bears interest at a floating interest rate. The organization is not exposed to interest rate risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk and interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is not exposed to other price risk.

Changes in Financial Instruments Risks Disclosures

There have been no significant changes to the risk exposures from the prior year.

The Inn of the Good Shepherd (Sarnia) Inc.
Supplementary Financial Information
For The Year Ended March 31, 2018

Statement Of Operations - The Haven

	Comsoc	Adminis- tration	2018	2017
Revenue				
Ontario Ministry of Community and Social Services	\$ 263,321	\$ -	\$ 263,321	\$ 263,321
County of Lambton - Other	-	48,558	48,558	71,131
Canada Employment Centre	-	4,174	4,174	3,515
Children's Aid Society	-	339	339	1,418
Donations	-	<u>1,511</u>	<u>1,511</u>	<u>10,682</u>
	<u>263,321</u>	<u>54,582</u>	<u>317,903</u>	<u>350,067</u>
Expenditures				
Building occupancy	5,671	-	5,671	7,060
Employee benefits	38,361	-	38,361	37,552
Food services	1,266	-	1,266	1,160
Miscellaneous	825	-	825	1,106
Office	9,476	-	9,476	9,312
Professional services	3,765	-	3,765	2,905
Program expenses	-	22,324	22,324	37,992
Salaries	291,127	-	291,127	288,583
Training and recruitment	696	-	696	714
Travel	2,300	-	2,300	1,998
Insurance	<u>1,172</u>	<u>-</u>	<u>1,172</u>	<u>1,207</u>
	<u>354,659</u>	<u>22,324</u>	<u>376,983</u>	<u>389,589</u>
(Deficiency) Excess Of Revenue Over Expenditures Before Amortization	(91,338)	32,258	(59,080)	(39,522)
Amortization	<u>(88)</u>	<u>-</u>	<u>(88)</u>	<u>(110)</u>
Net (Deficiency) Excess Of Revenue Over Expenditures	<u>\$ (91,426)</u>	<u>\$ 32,258</u>	<u>\$ (59,168)</u>	<u>\$ (39,632)</u>

**The Inn of the Good Shepherd (Sarnia) Inc.
Supplementary Financial Information
For The Year Ended March 31, 2018**

Statement of Operations - Outreach Program	2018	2017
Revenue		
Donations and fundraising	\$ 145,353	\$ 180,257
Mobile Market	24,100	10,750
Gifts in kind - donated food	1,403,840	1,487,483
County of Lambton	12,000	12,000
Canada Employment Centre	5,580	3,515
Native Liaison	65,200	67,200
Miscellaneous	200	-
Transit bus passes	232,835	199,678
Trillium grant	<u>62,350</u>	<u>-</u>
	<u>1,951,458</u>	<u>1,960,883</u>
Expenditures		
School kits	10,196	15,400
Employee benefits	34,917	25,448
Gifts in kind - donated food	1,403,840	1,487,483
Food services	66,042	80,563
Miscellaneous	14,336	6,892
Office	21,732	14,890
Professional services	4,352	5,005
Salaries	246,773	189,834
Training	689	1,826
Program expenses	95,674	35,832
Travel	11,862	11,841
Insurance	3,573	3,441
Transit Buss Passes	<u>236,167</u>	<u>160,789</u>
	<u>2,150,153</u>	<u>2,039,244</u>
Deficiency of revenue over expenditures before amortization	<u>(198,695)</u>	<u>(78,361)</u>
Other items		
Amortization	(32,400)	(18,369)
Amortization of deferred contributions	10,373	10,373
Loss on disposal of property, plant and equipment	<u>-</u>	<u>(1,040)</u>
	<u>(22,027)</u>	<u>(9,036)</u>
Net deficiency of revenue over expenditures	<u>\$ (220,722)</u>	<u>\$ (87,397)</u>

**The Inn of the Good Shepherd (Sarnia) Inc.
Supplementary Financial Information
For The Year Ended March 31, 2018**

Statement Of Operations - General

	2018	2017
Revenue		
Donations and fundraising	\$ 782,056	\$ 787,825
Canada Employment Centre	-	4,735
Interest income	2,191	2,695
Miscellaneous	-	2,189
	<u>784,247</u>	<u>797,444</u>
Expenditures		
Insurance	24,496	28,064
Employee benefits	29,119	30,180
Office	20,014	20,097
Miscellaneous	3,543	3,614
Professional services	9,229	17,271
Promotion and publicity	17,142	10,091
Salaries	187,943	206,758
Travel	1,110	4,424
Utilities	5,812	33,331
Fundraising expenses	64,060	110,589
Training	437	1,558
Program supply	-	379
Repairs and maintenance	1,191	3,366
	<u>364,096</u>	<u>469,722</u>
Excess of revenue over expenditures before other items	<u>420,151</u>	<u>327,722</u>
Other items		
Amortization	(24,302)	(25,005)
Amortization of deferred contributions	24,336	26,186
	<u>34</u>	<u>1,181</u>
Net excess of revenue over expenditures	<u>\$ 420,185</u>	<u>\$ 328,903</u>

**The Inn of the Good Shepherd (Sarnia) Inc.
Supplementary Financial Information
For The Year Ended March 31, 2018**

Statement Of Operations - Rent Utility

	2018	2017
Revenue		
County of Lambton	\$ 62,000	\$ 62,000
County of Lambton - Other	133,608	86,512
Canadian Employment Centre	5,580	3,510
Donations	<u>86,879</u>	<u>76,160</u>
	<u>288,067</u>	<u>228,182</u>
Expenditures		
Employee benefits	20,393	18,588
Office	6,244	2,607
Miscellaneous	240	390
Professional services	4,154	3,064
Program expenses	224,913	229,930
Salaries	96,480	99,129
Training and recruitment	133	196
Utilities	4,990	5,185
Insurance	<u>715</u>	<u>-</u>
	<u>358,262</u>	<u>359,089</u>
Deficiency of revenue over expenditures before amortization	(70,195)	(130,907)
Amortization	<u>(22)</u>	<u>(31)</u>
Net deficiency of revenue over expenditures	<u>\$ (70,217)</u>	<u>\$ (130,938)</u>

**The Inn of the Good Shepherd (Sarnia) Inc.
Supplementary Financial Information
For The Year Ended March 31, 2018**

Statement Of Operations - Shelter

	2018	2017
Revenue		
County of Lambton	\$ 57,962	\$ 53,515
County of Lambton - Other	266,673	261,015
Transitional Housing Rent	43,650	27,988
Miscellaneous	<u>350</u>	<u>-</u>
	<u>368,635</u>	<u>342,518</u>
Expenditures		
Emergency Shelter	2,266	3,469
Employee benefits	48,017	44,903
Insurance	11,427	12,285
Salaries	330,408	287,142
Cleaning services	17,716	10,573
Miscellaneous	3,707	1,442
Office	5,758	6,614
Professional services	4,135	2,367
Program expenses	42,090	22,157
Training and recruitment	330	1,284
Travel	351	621
Building expenses	13,545	12,428
Utilities	<u>27,309</u>	<u>30,654</u>
	<u>507,059</u>	<u>435,939</u>
Deficiency of revenue over expenditures before other items	<u>(138,424)</u>	<u>(93,421)</u>
Other items		
Amortization	(110,537)	(112,198)
Amortization of deferred contributions	<u>109,167</u>	<u>109,167</u>
	<u>(1,370)</u>	<u>(3,031)</u>
Net deficiency of revenue over expenditures	<u>\$ (139,794)</u>	<u>\$ (96,452)</u>