Carmichael Outreach Inc.
Financial Statements
June 30, 2017

Management's Responsibility

To the Members of Carmichael Outreach Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both the Board and management to discuss their audit findings.

October 23, 2017

Executive Director

MNP LLP

Independent Auditors' Report

To the Members of Carmichael Outreach Inc.:

We have audited the accompanying financial statements of Carmichael Outreach Inc., which comprise the statement of financial position as at June 30, 2017 and the statement of operations, changes in net assets, cash flows, the related schedules 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.

Auditors' 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 auditors' 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 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 statement.

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

Basis for Qualified Opinion
In common with many not-for-profit organizations, Carmichael Outreach Inc. derives a portion of its revenue from cash donations and fundraising, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Carmichael Outreach Inc., and we are not able to determine whether any adjustments might be necessary to revenue, deficiency of revenue over expenses, assets and net assets.

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 Carmichael Outreach Inc. as at June 30, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Regina, Saskatchewan

MNP LLP

October 23, 2017, except as to Note 9, which is as of November 20, 2017.

Chartered Professional Accountants

Carmichael Outreach Inc.
Statement of Financial Position
As at June 30, 2017

	2017	2016
Assets		
Current		
Cash	**50,559**	184,562
Accounts receivable	**11,198**	24,088
Goods and Service Tax receivable	**1,803**	3,089
Prepaid expenses and deposits	**4,112**	2,046
	67,672	213,785
Capital assets *(Note 3)*	**815,318**	145,903
	882,990	359,688
Liabilities		
Current		
Accounts payable and accruals *(Note 4)*	**35,882**	10,993
Deferred contributions *(Note 5)*	**97,416**	61,585
Current portion of term loan due on demand *(Note 7), (Note 8)*	**13,164**	-
Term loan due on demand (Note 7) (Note 8)	**626,836**	306
	773,298	72,884
	773,298	72,884

Subsequent events *(Note 10)*

Net Assets		
Unrestricted	**(65,626)**	141,208
Invested in capital assets	**175,318**	145,596
	109,692	286,804
	882,990	359,688

Approved on behalf of the Board

The accompanying notes are an integral part of these financial statements

Statement of Operations

For the year ended June 30, 2017

	2017	*2016*
Revenue *(Schedule 1)*	**688,370**	593,612
Expenses		
Salaries and benefits	**535,548**	411,348
Fundraising	**65,480**	47,409
Grants	**37,435**	26,724
Donations	**32,500**	32,500
Amortization	**29,946**	14,917
Administrative	**21,785**	6,461
Repairs and maintenance	**19,999**	19,964
Programming	**17,069**	12,921
Office supplies	**15,764**	14,965
Contract	**13,455**	12,750
Vehicle expense	**12,593**	6,352
Professional fees	**12,578**	10,000
Capital campaign	**9,918**	1,613
Utilities	**8,840**	7,786
Telephone	**7,424**	7,236
Insurance	**6,515**	4,256
Advertising	**6,402**	7,562
Property Taxes	**5,685**	4,882
Interest on long-term debt	**3,610**	86
Bank charges and interest	**1,194**	681
Volunteer	**797**	640
Printing	**635**	-
Janitorial	**250**	240
Miscellaneous	**60**	-
	865,482	651,293
Deficiency of revenue over expenses	**(177,112)**	(57,681)

The accompanying notes are an integral part of these financial statements

Carmichael Outreach Inc.
Statement of Changes in Net Assets
For the year ended June 30, 2017

	Invested in Capital Assets	Unrestricted	2017	2016
Net assets, beginning of year	145,596	141,208	286,804	344,485
Excess of revenue over expenses for the year	-	(177,112)	(177,112)	(57,681)
Purchase of capital assets (Note 3)	699,362	(699,362)	-	-
Acquisition of capital debt	(640,000)	640,000	-	-
Amortization	(29,946)	29,946	-	-
Principal repayments on loan	306	(306)	-	-
Net assets, end of year	175,318	(65,626)	109,692	286,804

The accompanying notes are an integral part of these financial statements

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from grants, fundraising, and donations	**691,671**	564,104
Cash paid to suppliers	**(259,223)**	(176,257)
Cash paid for salaries and benefits	**(516,188)**	(422,704)
	(83,740)	(34,857)
Financing		
Advances of long-term debt	**640,000**	-
Repayment of term loan due on demand	**(306)**	(3,683)
Interest paid	**(4,804)**	(767)
Investment income	**34**	61
Investing		
Purchase of capital assets	**(685,187)**	(1,966)
Decrease in cash resources	**(134,003)**	(41,212)
Cash resources, beginning of year	**184,562**	225,774
Cash resources, end of year	**50,559**	184,562

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

The Organization was incorporated under the The Non-Profit Corporations Act of Saskatchewan as a not-for-profit organization and is a registered charity under the Income Tax Act. Its principal activities include providing facilities, recreation, social activities, education, clothing, food, household goods and other necessaries to people in need in the City of Regina and surrounding area.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Contributed goods and services

The Organization recognizes donated goods and services when the fair values of such items are known or can be reasonably determined and they are used in the normal course of the Organization's operations and would otherwise have been purchased.

Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	4 %
Automotive	30 %
Computer equipment	45 %
Equipment	20 %
Paved surfaces	8 %

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of the asset, or group of assets, may not be recoverable. Impairment losses are recognized when the undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds it fair value. Any impairment is included in excess of revenue over expenses for the year.

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. Endowment contributions are recognized as direct increases in net assets.

Fundraising revenue is recognized when received.

Donations and grants received that are capital in nature are deferred and recognized over the useful life of the related contributed capital asset.

2. Significant accounting policies *(Continued from previous page)*

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue and expenses in the periods in which they become known.

Income taxes

The Organization is registered as a charitable organization under the Income Tax Act (the “Act”) and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Organization has not irrevocably elected to subsequently measure any financial instrument at fair value. All financial instruments are subsequently measured at cost or amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

Financial asset impairment:

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue over expenses in the year the reversal occurs.

3. Capital assets

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	**6,800**	**-**	**6,800**	6,800
Buildings	**817,663**	**62,430**	**755,233**	112,659
Automotive	**65,125**	**30,088**	**35,037**	2,605
Computer equipment	**28,938**	**23,855**	**5,083**	9,241
Equipment	**12,507**	**10,742**	**1,765**	2,206
Paved surfaces	**19,585**	**8,185**	**11,400**	12,392
	950,618	**135,300**	**815,318**	145,903

During the year, $nil (2016 - $4,000) was contributed for building asset additions. $14,175 (2016 - $nil) was contributed for automotive assets as a 2007 Savana Special was donated to the organization. The contributions have been measured at fair value.

4. Accounts payable and accruals

	2017	2016
Accounts payable and accruals	**17,612**	6,653
Payroll liabilities	**17,281**	-
Wages payable	**989**	4,340
	35,882	10,993

5. Deferred contributions

Contributions are received from contributors who have restricted their use for specific programs operated by the organization. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Restricted contributions related to capital assets are recognized as revenue over the useful life of the related asset.

Changes in the deferred contribution balance are as follows:

	2017	2016
Balance beginning of year	**61,585**	38,581
Received during the year	**176,514**	244,948
Recognized as revenue during the year	**(140,683)**	(221,944)
	97,416	61,585

6. Contributed materials and services

During the year, the following goods and services were contributed and are reflected in the statements at their respective fair values: donated food of $37,812 (2016 - $38,410), donated supplies of $720 (2016 - $38), accounting services $7,500 (2016 - $10,000), donated gift cards $nil (2016 - $3,000), donated vehicles $14,175 (2016 - $nil) and other miscellaneous donations from Queen City Vapes of $1,190 (2016 - $nil)

7. Term loans due on demand

The Organization also entered into a new mortgage agreement with Conexus Credit Union dated March 9, 2017 for $640,000 for the purchase of their new building. The mortgage has a interest rate of 4.2% for the first 9 months, after which the mortgage will be put on repayment at Commercial Board Rates.

Term loans due on demand bear interest at 4.2% payable in monthly instalments of $4,475, maturing September 1, 2037.

Principal repayments on term loans due on demand in each of the next five years are estimated as follows:

2018	13,164
2019	18,448
2020	19,528
2021	20,671
2022	21,880
	93,691

Long-term debt is subject to certain financial covenants with respect to the following conditions: a deposit account must be opened, and at a minimum, $217,500 of proceeds from the sale of 1925 Osler Street will be put towards the mortgage and 1925 Osler Street will be released upon sale, and the Organization was also required to have audited financial statements within 90 days of year-end. The Organization is not in compliance with all such covenants and has not cured such violations nor renegotiated the terms of the debt as at October 23, 2017. As such, the debt has been reclassified as current.

8. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate cash flow risk with respect to it term loan due on demand which is subject to floating interest rate of prime plus 1%. The loan matured and was paid out July 2016.

The Organization is also exposed to interest rate cash flow risk with respect to its new mortgage for $640,000 obtained through Conexus Credit Union. The mortgage has a fixed interest rate of 4.2% for the first 9 months, after which the mortgage will be put on repayment at Commercial Board Rates.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization enters into transactions to purchase goods and services on credit and borrow funds from financial institutions or other creditors, for which repayment is required at various maturity dates.

8. Financial instruments *(Continued from previous page)*

	2017	***2016***

Credit concentration

As at June 30, 2017, three customers (2016 - one customer) accounted for 43% (2016 - 88%) of the accounts receivable. The Organization believes that there is no unusual exposure associated with the collection of these receivables. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

9. Other matter

Facts which became known to the auditor after the date of the auditor's report but before the date the financial statements were issued have been adjusted for in the financial statements for the year ending June 30, 2017. A liability had been incorrectly reported as an expense in the Statement of Operations in the amount of $17,281. This has been adjusted to accounts payable and accruals.

10. Subsequent event

On October 1, 2017, the Organization sold the building at 1925 Osler Street for $388,000.

	2017	2016
Revenue		
Grants		
Access Children's Fund	15,524	-
Affinity Credit Union	1,500	-
CIF Food Security	25,082	9,918
Legacies and Bequests	20,000	45,000
CIF South	-	16,899
City of Regina	50,730	50,000
Community Garden	-	-
Employment	4,117	5,761
FCC Grant	25,000	-
Homelessness Partner Strategy	113,622	94,712
Saskatchewan Arts Board	-	-
	255,575	222,290
Fundraising		
5 Days	52,767	34,441
Band Swap	3,000	6,050
Bingo	39,833	40,244
Christmas	69,959	62,150
Golf tournament	82,326	27,320
Tomato Plants	951	-
	248,836	170,205
Donations		
Capital Ford Lincoln	2,162	-
Church	7,801	20,149
General	108,753	89,042
Gifts in kind	32,500	46,560
Queen City Kinsmen	161	1,117
	151,377	156,868
Other		
Contracts	24,763	43,538
Parking revenue	-	650
Payroll Recovery	3,917	-
Programs	3,868	-
Interest and sundry	34	61
	32,582	44,249
	688,370	593,612