

Carmichael Outreach Inc.
Financial Statements
June 30, 2020

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 are 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 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.

September 22, 2020

 E-SIGNED by Rochelle Berenyi

Executive Director

Independent Auditor's Report

To the of Carmichael Outreach Inc.:

Qualified Opinion

We have audited the financial statements of Carmichael Outreach Inc. (the "Organization"), which comprise the statement of financial position as at June 30, 2020, and the statements of operations, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2020, 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 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.

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

Independent Auditor's Report *Continued*

- 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.

Regina, Saskatchewan

September 22, 2020

MNP LLP


Chartered Professional Accountants

Carmichael Outreach Inc.
Statement of Financial Position


As at June 30, 2020

	2020	2019
Assets		
Current		
Cash	387,796	254,030
Accounts receivable	56,165	10,251
Prepaid expenses and deposits	2,255	1,569
Goods and Service Tax receivable	4,203	7,138
	450,419	272,988
Capital assets (Note 3)	1,786,209	955,453
	2,236,628	1,228,441
Liabilities		
Current		
Accounts payable and accruals (Note 5)	43,808	95,159
Deferred contributions (Note 6)	180,094	40,133
Deferred contributions related to capital assets (Note 7)	442,446	384,661
Current portion of term loan due on demand (Note 8)	28,719	3,836
	695,067	523,789
Term loans due on demand (Note 8)	1,149,731	418,564
	1,844,798	942,353
Long-term debt (Note 9)	40,000	-
	1,884,798	942,353
Net Assets		
Invested in capital assets	165,312	148,391
Unrestricted	186,518	137,697
	351,830	286,088
	2,236,628	1,228,441

Approved on behalf of the Board

 SIGNED by Mike Staines

Director

 SIGNED by Mirtha Rivera

Director

The accompanying notes are an integral part of these financial statements

Carmichael Outreach Inc.
Statement of Operations
For the year ended June 30, 2020

	2020	2019
Revenue <i>(Schedule 1)</i>	868,803	804,511
Expenses		
Salaries and benefits	448,635	437,076
Amortization	83,159	36,627
Interest on term loans due on demand	46,016	22,331
Grants	41,572	47,138
Office	59,089	80,717
Utilities	22,494	2,095
Professional fees	17,844	17,111
Repairs and maintenance	17,733	8,553
Fundraising	15,899	37,567
Contract	12,755	17,491
Insurance	8,647	6,546
Capital campaign	7,400	9,893
Property taxes	7,061	7,542
Administrative	6,116	9,844
Vehicle	5,188	22,636
Advertising	4,549	3,834
Telephone	4,130	7,896
Programming	8,093	26,877
Bank charges and interest	1,403	1,126
Volunteer	555	2,873
	818,338	805,773
Excess (deficiency) of revenue over expenses before other items	50,465	(1,262)
Other items		
Gain (loss) on disposal of capital assets	4,774	(205)
Other income - Temporary Wage Subsidy	10,503	-
	15,277	(205)
Excess (deficiency) of revenue over expenses	65,742	(1,467)

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, 2020

	<i>Invested in Capital Assets</i>	<i>Unrestricted</i>	<i>2020</i>	<i>2019</i>
Net assets, beginning of year	148,391	137,697	286,088	287,556
Excess (deficiency) of revenue over expenses for the year	-	65,742	65,742	(1,468)
Purchase of capital assets	916,240	(916,240)	-	-
Proceeds on disposal of capital assets	(7,100)	7,100	-	-
Gain on disposal of capital assets	4,774	(4,774)	-	-
Increase in deferred revenue for capital projects (Note 7)	(57,784)	57,784	-	-
Amortization	(83,159)	83,159	-	-
Advances of term loans due on demand	(756,050)	756,050	-	-
Net assets, end of year	165,312	186,518	351,830	286,088

The accompanying notes are an integral part of these financial statements

Carmichael Outreach Inc.
Statement of Cash Flows
For the year ended June 30, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Cash receipts from grants, fundraising, and donations	971,287	1,034,446
Cash paid to suppliers	(223,159)	(200,838)
Cash paid for salaries and benefits	(461,553)	(451,355)
	286,575	382,253
Financing		
Advances of long-term debt	796,050	-
Interest paid	(47,419)	(23,457)
Investment income	-	1
	748,631	(23,456)
Investing		
Purchase of capital assets	(908,540)	(284,160)
Proceeds on disposal of capital assets	7,100	-
	(901,440)	(284,160)
Increase in cash resources	133,766	74,637
Cash resources, beginning of year	254,030	179,393
Cash resources, end of year	387,796	254,030

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 necessities 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 %
Signage	20 %

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 its 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.

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 over expenses in the period 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.

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.

Carmichael Outreach Inc.
Notes to the Financial Statements
For the year ended June 30, 2020

3. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2020 Net book value</i>	<i>2019 Net book value</i>
Buildings	1,831,618	136,806	1,694,812	932,350
Automotive	39,075	27,683	11,392	18,600
Computer equipment	29,093	27,583	1,510	2,745
Equipment	95,919	17,922	77,997	1,758
Signage	622	124	498	-
	1,996,327	210,118	1,786,209	955,453

During the year, \$76,220 (2019 - \$230,548) in cash donations was contributed for building asset additions.

Equipment include items in transit with a carrying value of \$23,059 (2019 - \$nil). No amortization of this asset has been recorded during the current year because it is currently in transit.

During the year, the Organization received contributed labour and gift-in kind donations relating to the construction of the building. This contributed capital asset has been recorded at its fair value of \$7,700.

4. Line of credit

At June 30, 2020, the Organization had a line of credit totaling \$50,000 (2019 - \$50,000), none of which was drawn. The line of credit bears interest at bank prime plus 2.50% and is secured by a general security agreement.

5. Accounts payable and accruals

	<i>2020</i>	<i>2019</i>
Accounts payable and accruals	8,654	65,509
Payroll liabilities	7,924	21,627
Accrued liabilities	27,230	8,023
	43,808	95,159

6. 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.

Changes in the deferred contribution balance are as follows:

	<i>2020</i>	<i>2019</i>
Balance beginning of year	40,133	32,500
Received during the year	410,460	243,312
Recognized as revenue during the year	(270,499)	(235,679)
	180,094	40,133

Carmichael Outreach Inc.
Notes to the Financial Statements
For the year ended June 30, 2020

7. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the building purchase and renovation project. Recognition of these amounts as revenue is deferred to periods when the related building is amortized. Changes in deferred capital contributions are as follows:

	2020	2019
Balance, beginning of year	384,661	154,113
Amount received during the year	76,220	230,548
Recognized as revenue during the year	(18,435)	-
Balance, end of year	442,446	384,661

8. Term loans due on demand

The Organization amended their mortgage agreement with Conexus Credit Union effective February 13, 2019. The agreement includes the building purchase of \$1,178,450 and includes funds for renovations, up to an approved amount of \$1,252,500, with interest rate of prime plus 1.50%. The mortgage is due on demand and therefore has been classified as current.

The mortgage is subject to monthly interest only payments until July 1, 2020 at which time the payments will be amended to be principal plus interest amortized over a 25 year period.

	2020	2019
Mortgage payable in monthly interest-only installments; interest at prime plus 1.50%. Beginning July 1, 2020, monthly installments of \$6,229 including interest, interest at prime plus 1.50%, secured by building with a net book value of \$1,628,755 (2019 - \$554,463) and a general security agreement, due June 2045.	1,178,450	422,400
Less: current portion of term loan due on demand	(28,719)	(3,836)
	1,149,731	418,564

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

2021	28,719
2022	29,874
2023	31,076
2024	32,326
2025	33,626

Long-term debt is subject to certain financial covenants with respect to the Organization providing audited financial statements within 90 days of year-end. As at June 30, 2020, the Organization is in compliance with all such covenants.

9. Long-term debt

	2020	2019
Conexus loan payable with no set monthly installments. Loan is interest free until December 2022 after which monthly interest only payments are required at 5% per annum between January 2023 and December 2025. The loan is unsecured and is due in full on December 2025.	40,000	-
	40,000	-

10. 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 \$8,061 (2019 - \$9,732), donated supplies of \$19,793 (2018 - \$16,765), accounting services \$nil (2019 - \$2,500) and donated rent of \$24,431 (2019 - \$20,239).

11. 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 also exposed to interest rate cash flow risk with respect to its mortgage for \$1,178,450 obtained through Conexus Credit Union. The mortgage has a variable interest rate of prime plus 1.5%.

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.

Credit concentration

As at June 30, 2020, three customers (2019 - three customers) accounted for 84% (2019 - 77%) 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.

12. Significant Event

In March 2020 there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Carmichael Outreach Inc, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

While the extent of the impact is unknown, we anticipate this outbreak and the increased government regulations may cause reduced ability to hold fundraising events, which may negatively impact the Carmichael's business and financial condition. However, there have been increased grant opportunities and donations to off-set these negative impacts.

Carmichael Outreach Inc.
Schedule 1 - Schedule of Revenue
For the year ended June 30, 2020

	2020	2019
Revenue		
Grants		
Access Children's Fund	7,500	7,500
Capital Campaign Grants Recognized	18,435	-
CIF Food Security	22,917	11,667
CIF Life Skills Grant	4,583	-
City of Regina	50,000	50,000
Co-op Employee	-	1,500
COVID Emergency Response	50,000	-
Employment	7,049	27,664
Food Rescue Emergency	7,500	-
Homelessness Partner Strategy	113,044	114,960
Legacies and Bequests	16,667	6,666
Namerind COVID Grant	27,500	-
SaskMilk	5,000	5,000
SaskTel Pioneers	-	6,500
SaskTel TelCare	833	4,167
SSCF	20,000	20,300
	351,028	255,924
Fundraising		
5 Days	39,288	62,896
Band Swap	1,200	1,725
Bingo	-	475
Christmas	104,800	58,448
Golf tournament	-	34,986
Hymn Sing	1,829	-
Various fundraising events (Lean on Me, Festivals)	2,270	1,182
	149,387	159,712
Donations		
Corporate Donations	94,543	-
Church	14,692	88,906
General	144,429	227,880
Gifts in kind	52,283	30,554
SSCF	3,333	4,000
100 Women Who Care	13,950	-
	323,230	351,340
Other		
Contracts	42,450	31,838
General Income	1,623	2,721
Programs	1,085	2,975
Interest and sundry	-	1
	45,158	37,535
	868,803	804,511