

FRESH START SUPPORT SERVICES

Financial Statements

December 31, 2016

FRESH START SUPPORT SERVICES

Financial Statements

For The Year Ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of **Fresh Start Support Services**:

We have audited the accompanying financial statements of **Fresh Start Support Services**, which comprise the statement of financial position as at December 31, 2016 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.

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 whether the financial statements are free of 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 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of 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 contributions, surplus of receipts over expenditures, current assets and equity.

The organization is not amortizing the building and renovations related to the building included in tangible capital assets, which constitutes a departure from Canadian accounting standards for not-for-profit organizations. It is not possible to quantify the financial effects of this misstatement.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the statement of financial position of **Fresh Start Support Services** as at December 31, 2016 and the statements of operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Aylmer, Ontario

June 7, 2017

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

FRESH START SUPPORT SERVICES

Statement of Financial Position As At December 31, 2016

	2016	2015
	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	10,352	52,640
Accounts receivable	913	1,548
HST recoverable	8,420	2,454
Prepaid expenses	<u>2,528</u>	<u>2,049</u>
	22,213	58,691
TANGIBLE CAPITAL ASSETS (NOTE 2)	<u>333,249</u>	<u>333,654</u>
TOTAL ASSETS	<u>355,462</u>	<u>392,345</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Line of credit (Note 3)	2,000	-
Accounts payable and accrued liabilities	20,220	18,779
Deferred revenue and deposits	4,347	11,513
Current portion of long-term debt (Note 4)	<u>8,217</u>	<u>7,164</u>
	34,784	37,456
LONG-TERM DEBT (NOTE 4)	<u>57,079</u>	<u>66,098</u>
TOTAL LIABILITIES	<u>91,863</u>	<u>103,554</u>
<u>NET ASSETS (DEFICIT)</u>		
OPERATING FUND	(4,354)	28,399
CAPITAL FUND	<u>267,953</u>	<u>260,392</u>
	<u>263,599</u>	<u>288,791</u>
TOTAL LIABILITIES AND NET ASSETS	<u>355,462</u>	<u>392,345</u>

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Statement of Changes in Net Assets For The Year Ended December 31, 2016

2016

	Operating Fund <u>\$</u>	Capital Fund <u>\$</u>	Total <u>\$</u>
BALANCE, BEGINNING OF YEAR	28,399	260,392	288,791
Surplus (deficit) for the year	(25,192)	-	(25,192)
INTERFUND TRANSFERS			
Net investment in tangible capital assets	404	(404)	-
Mortgage principal repayments	<u>(7,965)</u>	<u>7,965</u>	<u>-</u>
BALANCE, END OF YEAR	<u><u>(4,354)</u></u>	<u><u>267,953</u></u>	<u><u>263,599</u></u>

2015

	Operating Fund <u>\$</u>	Capital Fund <u>\$</u>	Total <u>\$</u>
BALANCE, BEGINNING OF YEAR	30,967	253,984	284,951
Surplus (deficit) for the year	3,840	-	3,840
INTERFUND TRANSFERS			
Net investment in tangible capital assets	71	(71)	-
Mortgage principal repayments	<u>(6,479)</u>	<u>6,479</u>	<u>-</u>
BALANCE, END OF YEAR	<u><u>28,399</u></u>	<u><u>260,392</u></u>	<u><u>288,791</u></u>

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Statement of Operations For The Year Ended December 31, 2016

	Fresh Start Maternity Supports 2016 <u>\$</u>	Family Central Apartments 2016 <u>\$</u>	2016 <u>\$</u>	Fresh Start Maternity Supports 2015 <u>\$</u>
REVENUES				
Donations - general	190,010	13,097	203,107	185,693
Grants	43,556	401	43,957	53,432
Rent	43,700	-	43,700	33,109
Fundraising	35,238	-	35,238	44,508
Banquet and silent auction	16,604	-	16,604	19,956
Donations - designated gifts	5,175	-	5,175	11,505
Sundry income	<u>63</u>	<u>3</u>	<u>66</u>	<u>927</u>
	<u>334,346</u>	<u>13,501</u>	<u>347,847</u>	<u>349,130</u>
EXPENSES				
Amortization	1,858	-	1,858	1,661
Association fees and memberships	1,294	44	1,338	583
Automotive	2,268	-	2,268	1,763
Bad debts	1,037	-	1,037	245
Bank charges and interest	1,340	-	1,340	1,737
Banquet and fundraising expenses	13,000	500	13,500	13,120
Counselling expenses	352	-	352	1,198
Education	3,290	-	3,290	3,588
Household expenses	10,574	433	11,007	11,424
Mortgage interest	2,215	-	2,215	2,527
Municipal taxes	4,362	-	4,362	4,164
Office supplies, postage and miscellaneous	3,562	244	3,806	4,332
Professional services	13,290	626	13,916	11,469
Program costs	5,042	-	5,042	2,888
Property insurance	7,302	-	7,302	6,536
Publicity and promotion	3,589	4,598	8,187	4,484
Repairs and maintenance- property	8,507	-	8,507	7,258
- equipment	4,980	-	4,980	3,849
Staff training	10,538	440	10,978	9,661
Telephone	5,764	-	5,764	7,716
Travel	965	15	980	1,570
Utilities	13,213	-	13,213	11,425
Wages and benefits	<u>243,318</u>	<u>4,479</u>	<u>247,797</u>	<u>232,092</u>
	<u>361,660</u>	<u>11,379</u>	<u>373,039</u>	<u>345,290</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>(27,314)</u>	<u>2,122</u>	<u>(25,192)</u>	<u>3,840</u>

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Statement of Cash Flows For The Year Ended December 31, 2016

	2016	2015
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus (deficit) for the year	(25,192)	3,840
Adjustments for non-cash items:		
Amortization of tangible capital assets	<u>1,858</u>	<u>1,661</u>
	<u>(23,334)</u>	<u>5,501</u>
Changes in non-cash working capital items:		
(Increase) in accounts receivable and HST recoverable	(5,331)	(628)
(Increase) in prepaid expenses	(478)	(373)
Increase in accounts payable and accrued liabilities	1,441	885
(Decrease) in deferred revenue and deposits	<u>(7,167)</u>	<u>(8,863)</u>
	<u>(11,535)</u>	<u>(8,979)</u>
	<u>(34,869)</u>	<u>(3,478)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(1,454)</u>	<u>(1,590)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	<u>(7,965)</u>	<u>(6,479)</u>
NET CHANGE IN CASH	(44,288)	(11,547)
CASH, BEGINNING OF YEAR	<u>52,640</u>	<u>64,187</u>
CASH, END OF YEAR	<u>8,352</u>	<u>52,640</u>
CASH IS COMPRISED OF:		
Cash	10,352	52,640
Line of credit	<u>(2,000)</u>	<u>-</u>
	<u>8,352</u>	<u>52,640</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>2,215</u>	<u>2,527</u>

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended December 31, 2016

NATURE OF THE ORGANIZATION

Fresh Start Support Services provides a safe environment and support to pregnant and parenting women facing challenges related to parenting and life skills. They also provide a unique apartment community in Aylmer, Ontario through intentional relationships. Program participants partner with intentional neighbours and staff as they work on goals around employment, education and life skills to increase their standard of living and quality of life. The organization is a registered charity and as such is exempt from tax under paragraph 149(1)(f) of the Income Tax Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Accounting Estimates

The preparation of these 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. There are no significant accounting estimates in these financial statements and such no further disclosures were made.

Tangible Capital Assets

Land and building are shown at their original cost. Subsequent additions (renovations) are shown separately. No amortization has been recorded against land, buildings or renovations.

All other tangible capital assets are recorded at cost. When an asset is sold or otherwise disposed of, the original cost and related accumulated amortization are removed from the accounts, and the gain or loss is recognized in the statement of operations.

Amortization is calculated using the straight-line method at the following annual rates:

Automotive	7 years
Computers	3 years
Furniture and equipment	5 years

One-half the annual rate of amortization is taken in the year of acquisition.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The organization uses two fund groups: Operating Fund, and Capital Fund.

The Operating Fund accounts for the organization's administrative and operational revenues and expenses related to program delivery.

The Capital Fund reports amounts available for tangible capital asset expenditures.

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. Receipts which are designated for a specific purpose (such as government grants and donations designated for a specific purpose) are reflected as deferred revenue on the balance sheet until expended as designated, whereupon the funds are reflected as revenue.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rent revenues are recognized monthly as earned.

Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash which is measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and long-term debt.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Contributed Services

Volunteers contribute an indeterminable number of hours per year. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

2. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2016	2015
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Land and building	261,763	-	261,763	261,763
Renovations	67,048	-	67,048	67,048
Furniture and equipment	37,429	34,743	2,686	2,095
Automotive	5,439	4,015	1,424	2,201
Computers	<u>3,022</u>	<u>2,694</u>	<u>328</u>	<u>547</u>
	<u>374,701</u>	<u>41,452</u>	<u>333,249</u>	<u>333,654</u>

3. LINE OF CREDIT

The organization is authorized to withdraw a maximum of \$30,000 on a bank line of credit. The loan bears interest at prime plus 2%. Security for the loan consists of a general security agreement. The undrawn portion of the line of credit at year end was \$28,000.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended December 31, 2016

4. LONG-TERM DEBT	2016	2015
	<u>\$</u>	<u>\$</u>
Mortgage payable, prime plus 0.5%, repayable in blended bi-weekly instalments of \$392, due January 2025 (secured by land and building)	65,296	73,262
Less: current portion	<u>(8,217)</u>	<u>(7,164)</u>
	<u>57,079</u>	<u>66,098</u>

The aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as follows:

	<u>\$</u>
2017	8,217
2018	8,484
2019	8,759
2020	9,044
2021	9,338
subsequent	<u>21,454</u>
	<u>65,296</u>

5. FINANCIAL INSTRUMENTS

Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position date.

Liquidity Risk

Liquidity risk is the risk that a organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable. It is management's opinion that this risk is not significant.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended December 31, 2016

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its floating interest rate long-term debt. It is management's opinion that this risk is not significant.

It is management's opinion that the entity is not exposed to any significant foreign currency or other price risk.

No financial liabilities of the organization were in default during the year.

The organization is not subject to any covenants.

6. FAMILY CENTRAL APARTMENTS

New in the current year the organization has entered into a partnership with the Family Central Restaurant to provide a unique apartment community in Aylmer, Ontario through intentional relationships. Program participants partner with intentional neighbours and staff as they work on goals around employment, education and life skills to increase their standard of living and quality of life. Fresh Start is providing program and administrative support as part of the agreement.