

**REHOBOTH GIRLS HOME OF REFUGE
AND SUPPORT INC.
O/A FRESH START MATERNITY SUPPORTS**

Financial Statements

December 31, 2015

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
O/A FRESH START MATERNITY SUPPORTS**

Financial Statements

For The Year Ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Members of **Rehoboth Girls Home of Refuge and Support Inc.**:

Report on the Financial Statements

We have audited the accompanying financial statements of **Rehoboth Girls Home of Refuge and Support Inc.**, which comprise the statement of financial position as at December 31, 2015 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.



GRAHAM SCOTT ENNS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

P. 519-633-0700 · F. 519-633-7009
450 Sunset Drive, St. Thomas, ON N5R 5V1

P. 519-773-9265 · F. 519-773-9683
25 John Street South, Aylmer, ON N5H 2C1

www.grahamscottenns.com

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.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the statement of financial position of **Rehoboth Girls Home of Refuge and Support Inc.** as at December 31, 2015 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

May 17, 2016

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
O/A FRESH START MATERNITY SUPPORTS**

**Statement of Financial Position
As At December 31, 2015**

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| | <u>\$</u> | <u>\$</u> |
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | 52,640 | 64,187 |
| Accounts receivable | 1,548 | 239 |
| HST recoverable | 2,454 | 3,135 |
| Prepaid expenses | <u>2,049</u> | <u>1,675</u> |
| | 58,691 | 69,236 |
| TANGIBLE CAPITAL ASSETS (NOTE 2) | <u>333,654</u> | <u>333,724</u> |
| TOTAL ASSETS | <u>392,345</u> | <u>402,960</u> |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 18,779 | 17,892 |
| Deferred revenue and deposits | 11,513 | 20,376 |
| Current portion of long-term debt (Note 4) | <u>7,164</u> | <u>6,479</u> |
| | 37,456 | 44,747 |
| LONG-TERM DEBT (NOTE 4) | <u>66,098</u> | <u>73,262</u> |
| TOTAL LIABILITIES | <u>103,554</u> | <u>118,009</u> |
| <u>NET ASSETS</u> | | |
| OPERATING FUND | 28,399 | 30,967 |
| CAPITAL FUND | <u>260,392</u> | <u>253,984</u> |
| | <u>288,791</u> | <u>284,951</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>392,345</u> | <u>402,960</u> |

See accompanying notes to the financial statements.

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
O/A FRESH START MATERNITY SUPPORTS**

**Statement of Changes in Net Assets
For The Year Ended December 31, 2015**

| 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>28,399</u> | <u>260,392</u> | <u>288,791</u> |
| 2014 | | | |
| | Operating Fund <u>\$</u> | Capital Fund <u>\$</u> | Total <u>\$</u> |
| BALANCE, BEGINNING OF YEAR | 63,078 | 248,251 | 311,329 |
| Surplus (deficit) for the year | (26,378) | - | (26,378) |
| INTERFUND TRANSFERS | | | |
| Net investment in tangible capital assets | 750 | (750) | - |
| Mortgage principal repayments | <u>(6,483)</u> | <u>6,483</u> | <u>-</u> |
| BALANCE, END OF YEAR | <u>30,967</u> | <u>253,984</u> | <u>284,951</u> |

See accompanying notes to the financial statements.

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
O/A FRESH START MATERNITY SUPPORTS**

**Statement of Operations
For The Year Ended December 31, 2015**

| | 2015 | 2014 |
|--|-----------------------|------------------------|
| | <u>\$</u> | <u>\$</u> |
| REVENUES | | |
| Donations - general | 185,693 | 196,655 |
| Donations - designated gifts | 11,505 | - |
| Grants | 53,432 | 31,667 |
| Fundraising | 44,508 | 43,750 |
| Rent | 33,109 | 29,748 |
| Banquet and silent auction | 19,956 | 19,254 |
| Sundry income | <u>927</u> | <u>253</u> |
| | <u>349,130</u> | <u>321,327</u> |
| EXPENSES | | |
| Amortization | 1,661 | 1,394 |
| Association fees and memberships | 583 | 573 |
| Automotive | 1,763 | 4,102 |
| Bad debts | 245 | 2,737 |
| Bank charges and interest | 1,737 | 2,010 |
| Banquet and fundraising expenses | 13,120 | 7,593 |
| Counselling expenses | 1,198 | 2,424 |
| Education | 3,588 | 5,510 |
| Household expenses | 11,424 | 9,197 |
| Mortgage interest | 2,527 | 2,914 |
| Municipal taxes | 4,164 | 3,929 |
| Office supplies, postage and miscellaneous | 4,332 | 3,520 |
| Professional services | 11,469 | 9,815 |
| Program costs | 2,888 | 578 |
| Property insurance | 6,536 | 6,040 |
| Publicity and promotion | 4,484 | 8,287 |
| Repairs and maintenance- property | 7,258 | 16,244 |
| - equipment | 3,849 | 1,736 |
| Staff training | 9,661 | 3,982 |
| Telephone | 7,716 | 6,337 |
| Travel | 1,570 | 980 |
| Utilities | 11,425 | 11,833 |
| Wages and benefits | <u>232,092</u> | <u>235,970</u> |
| | <u>345,290</u> | <u>347,705</u> |
| SURPLUS (DEFICIT) FOR THE YEAR | <u>3,840</u> | <u>(26,378)</u> |

See accompanying notes to the financial statements.

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
O/A FRESH START MATERNITY SUPPORTS**

**Statement of Cash Flows
For The Year Ended December 31, 2015**

| | 2015 | 2014 |
|---|----------------------|----------------------|
| | <u>\$</u> | <u>\$</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Surplus (deficit) for the year | 3,840 | (26,378) |
| Adjustments for non-cash items: | | |
| Amortization of tangible capital assets | <u>1,661</u> | <u>1,394</u> |
| | <u>5,501</u> | <u>(24,984)</u> |
| Changes in non-cash working capital items: | | |
| Decrease (increase) in accounts receivable and HST recoverable | (628) | 1,754 |
| Decrease (increase) in prepaid expenses | (375) | 423 |
| Increase (decrease) in accounts payable and accrued liabilities | 887 | 9,994 |
| Increase (decrease) in government remittances payable | - | (3,764) |
| Increase (decrease) in deferred revenue and deposits | <u>(8,863)</u> | <u>20,176</u> |
| | <u>(8,979)</u> | <u>28,583</u> |
| | <u>(3,478)</u> | <u>3,599</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of tangible capital assets | <u>(1,590)</u> | <u>(644)</u> |
| | <u>(1,590)</u> | <u>(644)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of long-term debt | <u>(6,479)</u> | <u>(6,483)</u> |
| | <u>(6,479)</u> | <u>(6,483)</u> |
| NET CHANGE IN CASH | (11,547) | (3,528) |
| CASH, BEGINNING OF YEAR | <u>64,187</u> | <u>67,715</u> |
| CASH, END OF YEAR | <u>52,640</u> | <u>64,187</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Interest paid | <u>4,264</u> | <u>4,924</u> |

See accompanying notes to the financial statements.

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
O/A FRESH START MATERNITY SUPPORTS**

**Notes to the Financial Statements
For The Year Ended December 31, 2015**

NATURE OF THE ORGANIZATION

Fresh Start Maternity Supports provides Christian supportive, non-profit housing for persons of low income or otherwise disadvantaged and to teach life skills to persons of low income who are in need or otherwise disadvantaged. 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.

In particular, the organization uses estimates when accounting for certain items, including:

- Useful lives of tangible capital assets
- Revenue recognition

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.

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
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**Notes to the Financial Statements
For The Year Ended December 31, 2015**

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.

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.

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.

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
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**Notes to the Financial Statements
For The Year Ended December 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Measurement of financial instruments (continued)

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

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 | 2015 | 2014 |
|-------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|
| | <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 | 35,975 | 33,880 | 2,095 | 1,784 |
| Automotive | 5,439 | 3,238 | 2,201 | 2,978 |
| Computers | <u>3,022</u> | <u>2,475</u> | <u>547</u> | <u>151</u> |
| | <u>373,247</u> | <u>39,593</u> | <u>333,654</u> | <u>333,724</u> |

3. LINE OF CREDIT

The organization is authorized to withdraw a maximum of \$30,000 on a bank line of credit. The loan would bear interest at prime plus 2%. Security for the loan consists of a general assignment of book debts.

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
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**Notes to the Financial Statements
For The Year Ended December 31, 2015**

| 4. LONG-TERM DEBT | 2015 | 2014 |
|--|----------------------|----------------------|
| | <u>\$</u> | <u>\$</u> |
| Mortgage payable, prime plus .5%, repayable in blended bi-monthly instalments of \$392, due July 2017 (secured by land and building) | 73,262 | 79,741 |
| Less: current portion | <u>(7,164)</u> | <u>(6,479)</u> |
| | <u>66,098</u> | <u>73,262</u> |

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

| | |
|------|----------------------|
| | <u>\$</u> |
| 2016 | 7,164 |
| 2017 | <u>66,098</u> |
| | <u>73,262</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.

**REHOBOTH GIRLS HOME OF REFUGE AND SUPPORT INC.
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**Notes to the Financial Statements
For The Year Ended December 31, 2015**

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 period.

The organization is not subject to any covenants.

5. SUBSEQUENT EVENT

The organization has entered into a partnership with the Family Central Restaurant to provide supportive housing for those in need. Fresh Start will provide program and administrative support. They plan to have the project running by the fall of 2016.