FRESH START SUPPORT SERVICES

Financial Statements

September 30, 2022

FRESH START SUPPORT SERVICES

Financial Statements

For The Year Ended September 30, 2022

Table of Contents **PAGE**

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

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

Qualified Opinion
We have audited the financial statements of **Fresh Start Support Services**, which comprise the statement of financial position as at September 30, 2022, and the statement of operations, statement of changes in net assets and statement of 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the organization's financial statements present fairly, in all material respects, the financial position of the organization as at September 30, 2022, 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 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 donation and fundraising revenues, revenues over expenditures, and cash flows for the year ending September 30, 2022 and year ending September 30, 2021, current assets as at September 30, 2022 and September 30, 2021 and net assets as at October 1, 2021 and September 30, 2022 for the 2022 year ended, as well as October 1, 2020 and September 30, 2021 for the 2021 year ended. Our audit opinion on the financial statements for the year ended September 30, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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.

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)

Auditors' 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.
- 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.

St. Thomas, Ontario

January 16, 2023

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

FRESH START SUPPORT SERVICES

Statement of Financial Position
As At September 30, 2022

	2022	2021
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**200,608**	419,767
Short-term investment (Note 2)	**402,684**	-
Accounts receivable	**41,289**	12,011
HST recoverable	**5,847**	2,253
Prepaid expenses	**9,074**	3,085
	659,502	437,116
TANGIBLE CAPITAL ASSETS (NOTES 3, 11)	**125,078**	138,232
TOTAL ASSETS	**784,580**	575,348
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**24,833**	15,668
Government remittances payable	**5,696**	4,919
Deferred revenue and deposits (Notes 5, 11)	**151,324**	2,148
	181,853	22,735
DEFERRED CAPITAL CONTRIBUTIONS (NOTES 6, 11)	**50,000**	170,000
LONG-TERM DEBT (NOTE 7)	**30,000**	30,000
TOTAL LIABILITIES	**261,853**	222,735
NET ASSETS		
OPERATING FUND	**262,646**	214,379
CAPITAL FUND	**260,081**	138,234
	522,727	352,613
TOTAL LIABILITIES AND NET ASSETS	**784,580**	575,348

On behalf of the Board: ________ Director ________ Director

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Statement of Changes in Net Assets
For The Year Ended September 30, 2022

2022

	Operating Fund $	Capital Fund $	**Total $**
BALANCE, BEGINNING OF YEAR	214,379	138,234	**352,613**
Surplus for the year	170,114	-	**170,114**
INTERFUND TRANSFERS			
Net investment in tangible capital assets (Note 9)	13,153	(13,153)	**-**
Internal restriction (Note 9)	(135,000)	135,000	-
BALANCE, END OF YEAR	262,646	260,081	**522,727**

2021

	Operating Fund $	Capital Fund $	**Total $**
BALANCE, BEGINNING OF YEAR	64,505	151,102	**215,607**
Surplus for the year	137,006	-	**137,006**
INTERFUND TRANSFERS			
Net investment in tangible capital assets (Note 9)	12,868	(12,868)	-
BALANCE, END OF YEAR	214,379	138,234	**352,613**

FRESH START SUPPORT SERVICES

Statement of Operations
For The Year Ended September 30, 2022

	Operating $	Capital $	**2022 $**	2021 $
REVENUES				
Donations - general	426,388	-	**426,388**	287,597
Fundraising and banquet	21,205	-	**21,205**	10,463
Grants	181,549	-	**181,549**	55,594
Other government grants (Note 7)	-	-	**-**	10,000
Rent	27,851	-	**27,851**	30,224
Sundry income	4,841	-	**4,841**	646
	661,834	-	**661,834**	394,524
EXPENSES				
Amortization	15,543	-	**15,543**	14,895
Association fees and memberships	1,342	-	**1,342**	2,634
Bank charges and interest	836	-	**836**	671
Communications	16,742	-	**16,742**	6,370
Fundraising and banquet	12,410	-	**12,410**	3,146
Household expenses	4,378	-	**4,378**	3,827
Miscellaneous	1,108	-	**1,108**	1,055
Municipal taxes	5,624	-	**5,624**	5,576
Office supplies, postage and miscellaneous	13,402	-	**13,402**	6,307
Professional services	19,371	-	**19,371**	27,076
Program costs	9,676	-	**9,676**	4,354
Property insurance	11,377	-	**11,377**	8,013
Publicity and promotion	9,718	-	**9,718**	1,944
Rent (Note 8)	22,075	-	**22,075**	-
Repairs and maintenance - equipment	1,113	-	**1,113**	4,613
Repairs and maintenance - property (Note 11)	39,565	-	**39,565**	16,443
Staff training	4,567	-	**4,567**	2,576
Travel	237	-	**237**	29
Utilities	6,976	-	**6,976**	1,173
Wages and benefits (Note 10)	295,660	-	**295,660**	146,816
	491,720	-	**491,720**	257,518
SURPLUS FOR THE YEAR	170,114	-	**170,114**	137,006

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Statement of Cash Flows
For The Year Ended September 30, 2022

	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	**170,114**	137,006
Adjustments for non-cash items:		
Amortization of tangible capital assets	**15,543**	14,895
Other government grants	**-**	(10,000)
	185,657	141,901
Changes in non-cash working capital items:		
Accounts receivable and HST recoverable	**(32,872)**	(4,179)
Prepaid expenses	**(5,988)**	(2,012)
Accounts payable and accrued liabilities	**9,164**	(10,576)
Government remittances payable	**777**	(2,774)
Deferred revenue and deposits	**149,176**	(4,349)
Deferred capital contributions	**(120,000)**	170,000
	257	146,110
	185,914	288,011
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of tangible capital assets	**(2,389)**	(2,027)
Purchase of short-term investments	**(402,684)**	-
	(405,073)	(2,027)
NET CHANGE IN CASH	**(219,159)**	285,984
CASH, BEGINNING OF YEAR	**419,767**	133,783
CASH, END OF YEAR	**200,608**	419,767

See accompanying notes to the financial statements.

NATURE OF THE ORGANIZATION

Fresh Start Support Services (the "organization") provides a safe environment and support to pregnant and parenting women facing challenges related to parenting and life skills. 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 were significant accounting estimates used in these financial statements. These significant accounting estimates include the following items:

Useful lives of tangible assets
Asset impairments
Revenues

Tangible Capital Assets

Land is recorded at the original cost and is not amortized.

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:

Building	25 years
Renovations	years remaining on the corresponding building
Furniture and equipment	5 years
Computers	3 years

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

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. Externally 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 statement of financial position until expended as designated, whereupon the funds are reflected as revenue. Contributions that are restricted for the purchase of tangible capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired tangible capital assets.

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 and investments which are 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, line of credit, and long-term debt.

Financial assets measured at fair value include cash and short-term investments.

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. SHORT-TERM INVESTMENT

	2022	2021
	$	$
1 month cashable GIC, 1.75%, maturing October 8, 2022	**402,684**	-

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	**2022**	2021
	$	$	**$**	$
Land	39,264	-	**39,264**	39,264
Building	222,498	153,524	**68,974**	77,874
Renovations	67,048	53,573	**13,475**	19,579
Furniture and equipment	38,437	38,337	**100**	302
Computers	8,893	5,628	**3,265**	1,213
	376,140	251,062	**125,078**	138,232

4. LINE OF CREDIT

The organization is authorized to withdraw a maximum of $80,000 on a bank line of credit. The loan bears interest at prime plus 2%. The available portion of the line of credit at year end was $80,000. The line of credit is secured by a general security agreement against all assets of the organization and a first collateral charge against the land and building located at 118 Centre St. in St. Thomas, Ontario.

5. DEFERRED REVENUE AND DEPOSITS

During the year, the organization received externally restricted donations, grants and funding related to the current and future periods. These externally restricted contributions are recognized as revenue in the period that the contributions are restricted to be expended. Changes in deferred revenue and deposits during the year are as follows:

	2022	2021
	$	$
Balance, beginning of year	**2,148**	6,497
Add: Funding received in the year for expenses	**8,285**	-
Add: Grants received in the year for programs	**182,164**	2,148
Add: Amount transferred from deferred capital contributions in the year (Note 11)	**84,303**	-
Less: Amount recognized as revenue in the year	**(125,576)**	(6,497)
Balance, end of year	**151,324**	2,148

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent resources received in the current period or prior periods that are externally restricted for the purchase of tangible capital assets. Changes in the deferred capital contributions balance are as follows:

	2022	2021
	$	$
Balance, beginning of year	**170,000**	-
Add: Amount received related to future years	**-**	170,000
Less: Amount recognized as revenue in the year	**(35,697)**	-
Less: Amount transferred to deferred revenue in the year (Note 11)	**(84,303)**	-
Balance, end of year	**50,000**	170,000

7. CANADA EMERGENCY BUSINESS ACCOUNT (CEBA) LOAN

During the prior year, the organization received a $40,000 loan under the Canada Emergency Business Account (CEBA) program. The CEBA loan has two components and is divided into a liability and a forgivable portion. This loan is interest free and if the loan is repaid on or before December 31, 2023, up to 25% or $10,000 will be forgivable. If the loan remains outstanding as at December 31, 2023, the loan will be converted to a 3-year term loan with annual interest at 5%, paid monthly, effective on January 1, 2024. The full balance of the loan must be repaid by no later than December 31, 2025. The organization has reported the forgivable portion of $10,000 as other government grants in the prior year, with the remaining $30,000 reported in long-term debt.

8. COMMITMENTS

The organization has lease agreements for the rental of a building. The aggregate minimum payments are as follows:

	$
2023	28,875
2024	29,775
2025	7,500

9. INTERFUND TRANSFER

During the year, Board of Directors authorized a transfer of $13,153 (2021 - $12,868) from the Capital Fund to the Operating Fund for capital expenses recorded in the Operating Fund. In addition, during the year, Board of Directors authorized a transfer of $135,000 (2021 - $Nil) from the Operating Fund to the Capital Fund as an internal restriction of donations to be used in the House of Homes project.

10. CANADIAN EMERGENCY WAGE SUBSIDY

During the year, the organization experienced a reduction in revenue that qualified the organization to recover a portion of its wages under the Canada Emergency Wage Subsidy (CEWS) program. The organization received $1,595 (2021 - $108,501). The total of these payments under the CEWS program has been reported in the statement of operations as a reduction in wages and benefits expense.

11. SUBSEQUENT EVENT

Subsequent to year end, the organization was notified that the building would need to be demolished and rebuilt due to major structural deficiencies. As at September 30, 2022, there has been no write down due to impairment, as the net book value of the land and building exceeds the fair market value of the land. Costs for renovations made during the year have been included as an expense under repairs and maintenance - property in the Statement of Operations. An adjustment was made in the current year to move a grant that had been received in the prior year and recorded as deferred capital contributions to deferred revenue, as the grant had been specified for the renovation of a home and will be repaid subsequent to year end.

12. FINANCIAL INSTRUMENT RISKS

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, government remittances payable, line of credit, 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.

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 its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the organization to a fair value risk while floating-rate instruments subject it to a cash flow risk. It is management's opinion that the organization is not exposed to any significant interest rate risk.

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 was not in breach of any covenants during the year.

There have been no changes to the assessed levels of these risks in the year.