

FRESH START SUPPORT SERVICES

Financial Statements

September 30, 2023

FRESH START SUPPORT SERVICES

Financial Statements

For The Year Ended September 30, 2023

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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, 2023, 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, 2023, 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, 2023 and year ending September 30, 2022, current assets as at September 30, 2023 and September 30, 2022 and net assets as at October 1, 2022 and September 30, 2023 for the 2023 year ended, as well as October 1, 2021 and September 30, 2022 for the 2022 year ended. Our audit opinion on the financial statements for the year ended September 30, 2022 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.



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 15, 2024

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

FRESH START SUPPORT SERVICES

Statement of Financial Position As At September 30, 2023

| | <u>2023</u> | <u>2022</u> |
|--|------------------|----------------|
| | <u>\$</u> | <u>\$</u> |
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | 162,203 | 200,608 |
| Short-term investment (Note 2) | 520,882 | 402,684 |
| Accounts receivable | 48,251 | 41,289 |
| HST recoverable | 4,663 | 5,847 |
| Prepaid expenses | <u>19,171</u> | <u>9,074</u> |
| | 755,170 | 659,502 |
| TANGIBLE CAPITAL ASSETS (NOTE 3) | <u>256,254</u> | <u>125,078</u> |
| TOTAL ASSETS | <u>1,011,424</u> | <u>784,580</u> |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 21,584 | 24,833 |
| Government remittances payable | 5,807 | 5,696 |
| Deferred revenue and deposits (Note 5) | 2,214 | 151,324 |
| Current portion of long-term debt (Note 7) | <u>30,000</u> | <u>-</u> |
| | 59,605 | 181,853 |
| DEFERRED CAPITAL CONTRIBUTIONS (NOTE 6) | 362,303 | 50,000 |
| LONG-TERM DEBT (NOTE 7) | <u>-</u> | <u>30,000</u> |
| TOTAL LIABILITIES | <u>421,908</u> | <u>261,853</u> |
| <u>NET ASSETS</u> | | |
| OPERATING FUND | 370,562 | 262,646 |
| CAPITAL FUND | <u>218,954</u> | <u>260,081</u> |
| | <u>589,516</u> | <u>522,727</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>1,011,424</u> | <u>784,580</u> |

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, 2023**

| | 2023 | | |
|--|--|--------------------------------------|-----------------------------------|
| | Operating Fund <u> \$ </u> | Capital Fund <u> \$ </u> | Total <u> \$ </u> |
| BALANCE, BEGINNING OF YEAR | 262,646 | 260,081 | 522,727 |
| Surplus for the year | 149,238 | (82,449) | 66,789 |
| INTERFUND TRANSFERS | | | |
| Net investment in tangible capital assets (Note 9) | 98,678 | (98,678) | - |
| Internal restriction (Note 9) | <u>(140,000)</u> | <u>140,000</u> | <u>-</u> |
| BALANCE, END OF YEAR | <u>370,562</u> | <u>218,954</u> | <u>589,516</u> |
| | 2022 | | |
| | Operating Fund <u> \$ </u> | Capital Fund <u> \$ </u> | Total <u> \$ </u> |
| 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) | <u>(135,000)</u> | <u>135,000</u> | <u>-</u> |
| BALANCE, END OF YEAR | <u>262,646</u> | <u>260,081</u> | <u>522,727</u> |

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Statement of Operations For The Year Ended September 30, 2023

| | Operating | Capital | 2023 | 2022 |
|---|----------------|-----------------|------------------------|----------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| REVENUES | | | | |
| Donations - general | 341,595 | - | 341,595 | 426,388 |
| Fundraising and banquet | 30,233 | - | 30,233 | 21,205 |
| Grants | 206,490 | - | 206,490 | 181,549 |
| Rent | 4,074 | - | 4,074 | 27,851 |
| Sundry income | <u>18,147</u> | <u>-</u> | <u>18,147</u> | <u>4,841</u> |
| | <u>600,539</u> | <u>-</u> | <u>600,539</u> | <u>661,834</u> |
| EXPENSES | | | | |
| Amortization | 2,528 | - | 2,528 | 15,543 |
| Association fees and memberships | 1,694 | - | 1,694 | 1,342 |
| Bank charges and interest | 806 | - | 806 | 836 |
| Communications | 9,667 | - | 9,667 | 16,742 |
| Fundraising and banquet | 11,816 | - | 11,816 | 12,410 |
| Household expenses | 10,459 | - | 10,459 | 4,378 |
| Miscellaneous | 1,015 | - | 1,015 | 1,108 |
| Municipal taxes | 5,774 | - | 5,774 | 5,624 |
| Office supplies, postage and miscellaneous | 3,443 | - | 3,443 | 13,402 |
| Professional services | 25,567 | - | 25,567 | 19,371 |
| Program costs | 10,818 | - | 10,818 | 9,676 |
| Property insurance | 7,905 | - | 7,905 | 11,377 |
| Publicity and promotion | 2,298 | - | 2,298 | 9,718 |
| Rent (Note 8) | 32,129 | - | 32,129 | 22,075 |
| Repairs and maintenance- equipment | - | - | - | 1,113 |
| Repairs and maintenance- property | 10,259 | - | 10,259 | 39,565 |
| Staff training | 1,428 | - | 1,428 | 4,567 |
| Travel | 1,054 | - | 1,054 | 237 |
| Utilities | 300 | - | 300 | 6,976 |
| Wages and benefits (Note 10) | <u>312,341</u> | <u>-</u> | <u>312,341</u> | <u>295,660</u> |
| | <u>451,301</u> | <u>-</u> | <u>451,301</u> | <u>491,720</u> |
| SURPLUS FROM OPERATIONS | 149,238 | | 149,238 | 170,114 |
| LOSS ON DISPOSAL OF TANGIBLE CAPITAL ASSETS (NOTE 3) | <u>-</u> | <u>(82,449)</u> | <u>(82,449)</u> | <u>-</u> |
| SURPLUS (DEFICIT) FOR THE YEAR | <u>149,238</u> | <u>(82,449)</u> | <u>66,789</u> | <u>170,114</u> |

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Statement of Cash Flows For The Year Ended September 30, 2023

| | 2023 | 2022 |
|--|------------------|------------------|
| | <u>\$</u> | <u>\$</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Surplus for the year | 66,789 | 170,114 |
| Adjustments for non-cash items: | | |
| Amortization of tangible capital assets | 2,528 | 15,543 |
| Loss on disposal of tangible capital assets | <u>82,449</u> | <u>-</u> |
| | <u>151,766</u> | <u>185,657</u> |
| Changes in non-cash working capital items: | | |
| Accounts receivable and HST recoverable | (5,778) | (32,872) |
| Prepaid expenses | (10,098) | (5,988) |
| Accounts payable and accrued liabilities | (3,248) | 9,164 |
| Government remittances payable | 111 | 777 |
| Deferred revenue and deposits | (149,110) | 149,176 |
| Deferred capital contributions | <u>312,303</u> | <u>(120,000)</u> |
| | <u>144,180</u> | <u>257</u> |
| | <u>295,946</u> | <u>185,914</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Purchase of tangible capital assets | (216,153) | (2,389) |
| Purchase of short-term investments | (520,882) | (402,684) |
| Proceeds on disposal of short-term investments | <u>402,684</u> | <u>-</u> |
| | <u>(334,351)</u> | <u>(405,073)</u> |
| NET CHANGE IN CASH | (38,405) | (219,159) |
| CASH, BEGINNING OF YEAR | <u>200,608</u> | <u>419,767</u> |
| CASH, END OF YEAR | <u>162,203</u> | <u>200,608</u> |

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2023

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.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2023

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.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2023

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 the statement of operations. 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

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|----------------|
| | <u>\$</u> | <u>\$</u> |
| 1 month cashable GIC, 1.75%, matured October 8, 2022 | - | 402,684 |
| 1 year cashable GIC, 3.75%, maturing February 10, 2024 | 50,000 | - |
| 1 year cashable GIC, 3.75%, maturing May 8, 2024 | 100,000 | - |
| 1 year cashable GIC, 3.75%, maturing June 5, 2024 | <u>370,882</u> | <u>-</u> |
| | <u>520,882</u> | <u>402,684</u> |

3. TANGIBLE CAPITAL ASSETS

| | Cost | Accumulated Amortization | <u>2023</u> | <u>2022</u> |
|-------------------------|-----------------------|-----------------------------|-----------------------|----------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Land | 39,264 | - | 39,264 | 39,264 |
| Buildings | 209,256 | - | 209,256 | 68,974 |
| Renovations | - | - | - | 13,475 |
| Furniture and equipment | 41,347 | 38,728 | 2,619 | 100 |
| Computers | <u>12,879</u> | <u>7,764</u> | <u>5,115</u> | <u>3,265</u> |
| | <u>302,746</u> | <u>46,492</u> | <u>256,254</u> | <u>125,078</u> |

During the year, the organization demolished the building due to major structural deficiencies. As a result, there has been a write down of the building and related renovations due to impairment. The write down has been included in the statement of operations under loss on disposal of tangible capital assets. A rebuild of the building commenced during the year and will be amortized when it is available for use.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2023

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:

| | 2023 | 2022 |
|---|-----------------|----------------|
| | <u>\$</u> | <u>\$</u> |
| Balance, beginning of year | 151,324 | 2,148 |
| Add: Funding received in the year for expenses | - | 8,285 |
| Add: Grants received in the year for programs | 176,008 | 182,164 |
| Add: Amount transferred from deferred capital contributions in the year | - | 84,303 |
| Less: Amount recognized as revenue in the year | (212,529) | (125,576) |
| Less: Grants repaid in the year | (84,303) | - |
| Less: Amount transferred to deferred capital contributions in the year | <u>(28,285)</u> | <u>-</u> |
| Balance, end of year | <u>2,215</u> | <u>151,324</u> |

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:

| | 2023 | 2022 |
|---|----------------|-----------------|
| | <u>\$</u> | <u>\$</u> |
| Balance, beginning of year | 50,000 | 170,000 |
| Add: Amount received related to future years | 291,406 | - |
| Add: Amount transferred from deferred revenue in the year | 28,285 | - |
| Less: Amount recognized as revenue in the year | (7,388) | (35,697) |
| Less: Amount transferred to deferred revenue in the year | <u>-</u> | <u>(84,303)</u> |
| Balance, end of year | <u>362,303</u> | <u>50,000</u> |

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2023

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 January 18, 2024, up to 25% or \$10,000 will be forgivable. If the loan remains outstanding as at January 19, 2024, the loan will be converted to a 2-year term loan with annual interest at 5%, paid monthly, effective on January 19, 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 a 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:

| | <u>\$</u> |
|------|-----------|
| 2024 | 29,775 |
| 2025 | 7,500 |

9. INTERFUND TRANSFER

During the year, Board of Directors authorized a transfer of \$98,678 (2022 - \$13,153) 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 \$140,000 (2022 - \$135,000) 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 prior 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 \$NIL (2022 - \$1,595). 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.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2023

11. 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.