



OTTAWA INNERCITY MINISTRIES
FINANCIAL STATEMENTS
DECEMBER 31, 2023

INDEX

- Page 2. Independent Auditor's Report
- 4. Statement of Financial Position
- 5. Statement of Operations and Changes in Net Assets
- 6. Statement of Cash Flows
- 7-12. Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Members of
Ottawa Inncity Ministries
OTTAWA, Ontario

Qualified Opinion

I have audited the financial statements of Ottawa Inncity Ministries (the "Organization") which comprise the statement of financial position as at December 31, 2023 and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023 and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

As is common with many charitable organizations, Ottawa Inncity Ministries derives revenue from cash donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of Ottawa Inncity Ministries and I was not able to determine whether, as at or for the years ended December 31, 2023 and 2022, any adjustments might be necessary to contribution revenues, excess of revenues over expenses, assets, and net assets.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of Management and Those Charged with Governance 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.

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

My 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 my 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



James Herzog, Chartered Professional Accountant, Licensed Public Accountant
OTTAWA, Ontario
April 30, 2024

OTTAWA INNERCITY MINISTRIES

STATEMENT OF FINANCIAL POSITION

As at December 31,

2023

2022

ASSETS

Current

Cash	\$ 342,361	\$ 377,913
Temporary investments (Note 2)	-	100,466
Accounts receivable (Note 3)	21,552	51,001
Prepaid expenses	8,820	6,166
	<u>\$ 372,733</u>	<u>\$ 535,546</u>

Restricted Cash

2,000 234

Capital Assets (Note 4)

1,972,463 2,013,160

\$ 2,347,196 \$ 2,548,940

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 31,131	\$ 31,785
Current debt (Note 5)	-	40,000
Deferred contributions (Note 6)	16,599	20,383
Current portion of termination benefits payable (Note 7)	39,391	103,887
Current portion of loan payable (Note 8)	54,788	49,794
	<u>\$ 141,909</u>	<u>\$ 245,849</u>

Long Term Portion of Termination Benefits Payable (Note 7)

- 37,998

Loan Payable (Note 8)

441,796 597,110
\$ 583,705 \$ 880,957

NET ASSETS

1,763,491 1,667,983
\$ 2,347,196 \$ 2,548,940

Approved by the Board:

_____ Board Member

_____ Board Member

OTTAWA INNERCITY MINISTRIES**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS****For the year ended December 31,****2023****2022**

REVENUE (Note 10)

Donations	\$ 669,517	\$ 686,821
Grants for special projects (Note 11)	126,375	222,896
Fundraising	93,332	60,917
Investment income	3,709	41
Other revenue (Note 12)	1,966	333,000
	<u>\$ 894,899</u>	<u>\$ 1,303,675</u>

EXPENSES

Payroll	\$ 384,475	\$ 451,008
Special projects	130,635	198,567
Office and administration	53,736	37,043
Property	45,223	24,818
Advertising and promotion	33,208	52,015
Outreach	27,561	23,173
Finances	22,593	52,815
Interest on long-term debt	19,702	33,651
Bank charges	17,906	20,505
Youth programs	14,014	11,257
Staff benefits	3,334	1,986
Donations	2,000	3,000
Termination pay (Note 7)	-	153,770
Amortization of capital assets	45,004	44,775
	<u>\$ 799,391</u>	<u>\$ 1,108,383</u>

RESULTS OF OPERATIONS**\$ 95,508** \$ 195,292**NET ASSETS: BEGINNING****1,667,983** 1,472,691**NET ASSETS: ENDING****\$ 1,763,491** \$ 1,667,983

OTTAWA INNERCITY MINISTRIES**STATEMENT OF CASH FLOWS**

For the year ended December 31,

20232022

OPERATING ACTIVITIES**Cash Received From:**

Donations	\$ 665,733	\$ 375,254
Grants and subsidies	126,375	222,896
Fundraising	93,332	60,917
Other	1,966	333,000
	<u>\$ 887,406</u>	<u>\$ 992,067</u>

Cash Paid For:

Payroll	\$ 487,623	\$ 450,128
Ministry	144,763	82,690
Finances	100,223	110,827
Property	45,223	24,818
Advertising and promotion	33,208	52,015
	<u>\$ 811,040</u>	<u>\$ 720,478</u>
	<u>\$ 76,366</u>	<u>\$ 271,589</u>

INVESTING ACTIVITIES

Purchase of capital assets	\$ (4,306)	\$ -
Proceeds from (purchase of) temporary investments	104,175	(99,925)
	<u>\$ 99,869</u>	<u>\$ (99,925)</u>

FINANCING ACTIVITIES

Payments on current debt	\$ (40,000)	\$ -
Payments on loan payable	(170,021)	(581,548)
	<u>\$ (210,021)</u>	<u>\$ (581,548)</u>

NET CHANGE IN CASH

\$ (33,786)	\$ (409,884)
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CASH: BEGINNING

378,147	788,031
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CASH: ENDING

<u>\$ 344,361</u>	<u>\$ 378,147</u>
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OTTAWA INNERCITY MINISTRIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NATURE OF OPERATIONS

Ottawa Innercity Ministries ('OIM' or the 'Organization') exists to come alongside and support individuals experiencing poverty and homelessness, by demonstrating the message of Christ in action and word, showing compassion, and promoting self-esteem. OIM has a vision to help form a just society where people are valued, shown dignity and respect, and given the opportunity to attain an improved quality of life.

The Organization is a registered charity under the Income Tax Act (registration number 140888736RR0001) and is exempt from income taxes.

The Organization, headquartered at 391 Gladstone Ave, Ottawa, Ontario, is incorporated under the Ontario Not-for-Profit Corporations Act.

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Capital Assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the assets using the following annual rates and methods:

Building	40 years	straight-line
Furniture & Equipment	5 years	straight-line
Computer Equipment	3 years	straight-line

(b) Impairment of Long-Lived Assets

A capital asset or other long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its book value exceeds the value of its expected service potential. An impairment loss is measured as the amount by which the book value of the long-lived asset exceeds its fair value. There are no indications of impairment in the current year.

(c) Financial Instruments

Except where noted, all financial assets and liabilities are initially measured at fair value. All financial assets and liabilities are subsequently measured at amortized cost, which approximates fair value unless otherwise indicated.

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in net income and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. Indications of impairment, if any, are disclosed below.

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

(d) **Revenue Recognition**

Revenue from donations and fundraising is recognized in accordance with the deferral method of accounting for contributions. 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. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Revenue restricted for capital purposes is recognized as the related capital assets are amortized. Endowment contributions, if any, are recognized as direct increases in net assets in the year.

Grants for special projects that are designated for current operations are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Grants that are designated for capital or long-term projects are deferred and amortized to income as their related expenses are incurred.

Contributions in kind are recognized when received. The value of contributed goods and property is based on appraisals given by independent professional appraisers or other independent means.

Investment income is recognized as revenue when reasonable assurance exists regarding measurement and collectability.

(e) **Contributed Goods and Services**

Ottawa Innercity Ministries is able to operate thanks to the contribution of a significant number of hours by volunteers in the community. Because of the difficulty in compiling these hours and in determining their fair market value, contributed services are not recognized in the financial statements.

Ottawa Innercity Ministries also receives significant contributions of food, clothing, and other goods from members of the community. Because these goods are acquired at no charge and distributed at no charge, contributed goods are not recognized in the financial statements.

(f) **Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates used.

Significant estimates include the useful life of long-lived assets.

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

2. **TEMPORARY INVESTMENTS**

Temporary investments consisted of a guaranteed investment certificate bearing interest at 3.75% and matured on December 28, 2023.

3. **ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	2023	2022
HST receivable	\$ 19,012	\$ 18,771
Other receivables	2,540	32,230
	<u>\$ 21,552</u>	<u>\$ 51,001</u>

4. **CAPITAL ASSETS**

Capital assets consist of the following:

	2023		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 311,329	\$ -	\$ 311,329
Building	1,764,196	110,262	1,653,934
Furniture & Equipment	6,175	618	5,557
Computer equipment	4,834	3,191	1,643
	<u>\$ 2,086,534</u>	<u>\$ 114,071</u>	<u>\$ 1,972,463</u>
	2022		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 311,329	\$ -	\$ 311,329
Building	1,764,196	66,158	1,698,038
Furniture & Equipment	3,534	989	2,545
Computer equipment	3,169	1,921	1,248
	<u>\$ 2,082,228</u>	<u>\$ 69,068</u>	<u>\$ 2,013,160</u>

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

5. **CURRENT DEBT**

Current debt consisted of an interest-free Canada Emergency Business Account with a limit of \$60,000, maturing December 31, 2023. Of the \$60,000, \$20,000 was forgiven when the remaining \$40,000 was paid on December 11, 2023.

The Organization also has available to it a line of credit with a limit of \$25,000, bearing interest at prime plus 1.5%. As at December 31, 2023, this line of credit was unused.

6. **DEFERRED CONTRIBUTIONS**

Deferred contributions consists of amounts received from donors that are designated to fund certain expenses and also for the purchase of capital assets. The activity in deferred contributions is as follows:

	Operating Donations and Grants	Capital Donations and Grants	2023 Total	2022 Total
Balance, beginning	\$ 20,149	\$ 234	\$ 20,383	\$ 331,950
Additional contributions received	126,100	2,000	128,100	244,909
Amounts recognized in the year	<u>(131,650)</u>	<u>(234)</u>	<u>(131,884)</u>	<u>(556,476)</u>
Balance, ending	<u><u>\$ 14,599</u></u>	<u><u>\$ 2,000</u></u>	<u><u>\$ 16,599</u></u>	<u><u>\$ 20,383</u></u>

Of the \$128,100 in grant funding received in the year, \$110,000 was from government sources. In the prior year, \$185,000 was from government sources.

7. **TERMINATION BENEFITS PAYABLE**

Termination pay consists of the net present value of termination benefits owing to a former employee of the Organization. The unpaid amount of these benefits is included in accounts payable.

8. **LOAN PAYABLE**

The loan payable consists of the following:

	2023	2022
Bank loan, limit of \$1,200,000, repayable in monthly instalments of \$5,835 including interest calculated at a rate of 3.23%, maturing October 29, 2024, secured by land and building with a net book value of \$1,965,262	\$ 496,584	\$ 646,904
Less: Current portion	<u>(54,788)</u>	<u>(49,794)</u>
Long-term portion	<u><u>\$ 441,796</u></u>	<u><u>\$ 597,110</u></u>

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

8. **LOAN PAYABLE, Continued...**

Principal repayment requirements for each of the next five years and thereafter are as follows:

2024	\$ 54,788
2025	56,584
2026	58,439
2027	60,355
2028	62,334
Thereafter	<u>204,084</u>
	<u>\$ 496,584</u>

The Organization is subject to the following covenants with respect to its long-term debt:

- (a) A minimum debt service coverage ratio of 1.15:1
- (b) A maximum total liabilities to tangible net worth ratio of 4.50:1

As at December 31, 2023, the Organization was compliant with all of its covenants.

9. **FINANCIAL INSTRUMENTS**

Risks and Concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at December 31, 2023.

(a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable, which consists mostly of HST receivable. There were no concentrations of credit risk as at December 31, 2023 and the allowance for doubtful accounts is \$nil as at December 31, 2023. Management is of the opinion that the Organization's exposure to credit risk is insignificant. There has been no change to the assessment of credit risk since the prior year.

(b) **Liquidity Risk**

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly with respect to its accounts payable and accrued liabilities, current debt, and loans payable. The Organization manages this risk by managing its working capital and ensuring that sufficient credit is available. Management is of the opinion that the Organization's exposure to liquidity risk is insignificant. There has been no change to the assessment of liquidity risk since the prior year.

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

(c) **Interest Rate Risk**

Interest rate risk is a component of market risk and is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Notes 2, 5, and 8, the Organization is exposed to interest rate risk with respect to its temporary investments and short-term and long-term financing. The Organization does not currently hold any financial instruments to mitigate this risk. Management is of the opinion that the Organization's exposure to interest rate risk is insignificant. There has been no change to the assessment of interest rate risk since the prior year.

10. **MAJOR SOURCES OF REVENUE**

Of the revenue recognized in the year, 74% was from individuals, 12% was from other charities, and 12% was from government sources. Of the revenue recognized in the prior year, 49% was from individuals, 9% was from other charities, and 16% was from government sources.

11. **GRANTS FOR SPECIAL PROJECTS**

Included in revenue recognized from grants for special projects is \$110,000 (2022 - \$204,531) of government assistance.

12. **OTHER REVENUE**

Other revenue of the prior year included \$328,000 of contributions reserved by donors for the building project and used in the year for special payments on the bank loan.

13. **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified in order to conform with the presentation adopted in the current year.