



OTTAWA INNERCITY MINISTRIES

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Ottawa Innercity Ministries
OTTAWA, Ontario

Qualified Opinion

I have audited the financial statements of Ottawa Innercity Ministries ("OIM" or the "Organization") which comprise the statement of financial position as at December 31, 2022, 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 a summary of significant accounting policies.

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, 2022 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 Innercity 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 Innercity Ministries and I was not able to determine whether, as at or for the years ended December 31, 2022 and 2021, 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

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 Organization'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 Organization'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.

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 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.

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.



James Herzog, Chartered Professional Accountant, Licensed Public Accountant
OTTAWA, Ontario
May 31, 2023

OTTAWA INNERCITY MINISTRIES

STATEMENT OF FINANCIAL POSITION

As at December 31,

2022

2021

ASSETS

Current

Cash	\$ 378,338	\$ 498,818
Temporary investments (Note 2)	100,041	500
Accounts receivable (Note 3)	51,001	204,309
Prepaid expenses	6,166	7,688
	<u>\$ 535,546</u>	<u>\$ 711,315</u>

Restricted Cash

234 289,213

Capital Assets (Note 4)

2,013,160 2,057,936

\$ 2,548,940 \$ 3,058,464

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 31,785	\$ 19,022
Current debt (Note 5)	40,000	40,000
Deferred contributions (Note 6)	20,383	331,950
Current portion of termination benefits payable (Note 7)	103,887	-
Current portion of loan payable (Note 8)	49,794	31,728
	<u>\$ 245,849</u>	<u>\$ 422,700</u>

Long Term Portion of Termination Benefits Payable (Note 7)

37,998 -

Loan Payable (Note 8)

597,110 1,163,073
\$ 880,957 \$ 1,585,773

NET ASSETS

1,667,983 1,472,691
\$ 2,548,940 \$ 3,058,464

Approved by the Board:

Chairperson

Treasurer

OTTAWA INNERCITY MINISTRIES

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31,

2022

2021

REVENUE (Note 10)

Donations (Note 11)	\$ 686,821	\$ 1,120,442
Other revenue (Note 12)	333,000	110,271
Grants for special projects (Note 13)	222,896	171,554
Fundraising	60,917	43,453
Investment income	41	964
Government subsidies	-	9,747
	<u>\$ 1,303,675</u>	<u>\$ 1,456,431</u>

EXPENSES

Payroll	\$ 451,008	\$ 351,887
Special projects	198,567	171,554
Termination pay (Note 7)	153,770	-
Finances	52,815	20,723
Advertising and promotion	52,015	32,603
Office and administration	37,043	23,348
Interest on long-term debt	33,651	6,471
Property	24,818	30,775
Outreach	23,173	9,663
Bank charges	20,505	16,540
Youth programs	11,257	14,026
Donations	3,000	5,020
Staff benefits	1,986	4,529
Amortization	44,775	22,723
	<u>\$ 1,108,383</u>	<u>\$ 709,862</u>

RESULTS OF OPERATIONS

\$ 195,292 \$ 746,569

NET ASSETS: BEGINNING - Restated (Note 14)

1,472,691 726,122

NET ASSETS: ENDING

\$ 1,667,983 \$ 1,472,691

OTTAWA INNERCITY MINISTRIES**STATEMENT OF CASH FLOWS**

For the year ended December 31,

2022

2021

OPERATING ACTIVITIES**Cash Received From:**

Donations	\$ 336,233	\$ 1,308,506
Other	333,000	90,271
Grants and subsidies	222,896	181,301
Fundraising	60,917	43,453
	\$ 953,046	\$ 1,623,531

Cash Paid For:

Payroll	\$ 450,128	\$ 347,735
Ministry	259,870	206,836
Finances	110,827	65,658
Advertising and promotion	52,015	32,603
Property	24,818	30,775
	\$ 897,658	\$ 683,607
	\$ 55,388	\$ 939,924

INVESTING ACTIVITIES

HST rebate on building purchased in 2021	\$ 177,180	\$ -
Purchase of capital assets	-	(2,252,704)
Proceeds from (purchase of) temporary investments	(99,500)	495,495
	\$ 77,680	\$ (1,757,209)

FINANCING ACTIVITIES

Contributions to capital campaign	\$ 39,021	\$ -
Proceeds from loan payable	-	1,200,000
Proceeds from current debt	-	60,000
Payments on loan payable	(581,548)	(11,670)
	\$ (542,527)	\$ 1,248,330

NET CHANGE IN CASH

\$ (409,459)	\$ 431,045
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CASH: BEGINNING

788,031	356,986
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CASH: ENDING

\$ 378,572	\$ 788,031
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OTTAWA INNERCITY MINISTRIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NATURE OF OPERATIONS

Ottawa Inncity Ministries ('OIM' or the 'Organization') is a community working towards building a just society where people are valued, shown dignity and respect, and are given opportunity to attain a higher quality of life. OIM is called to come alongside people experiencing poverty and homelessness, demonstrate the message of Christ in deed and word, show compassion, build self esteem, and empower individuals through a strength-based approach.

The Organization is a registered charity under the Income Tax Act and is exempt from income taxes.

The Organization, located at 391 Gladstone Ave, Ottawa, Ontario, is incorporated without share capital in the Province of Ontario.

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
Equipment	10 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. There are no indications of impairment in the current year.

OTTAWA INNERCITY MINISTRIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(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 and forgivable loans and subsidies from government sources 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 and forgivable loans from government sources 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 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.

(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:

- (i) the value allocation between land and building at the time the building was purchased
- (ii) the useful life of long-lived assets

2. **TEMPORARY INVESTMENTS**

Temporary investments consists of a guaranteed investment certificate bearing interest at 3.75%.

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

3. **ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	2022	2021
HST receivable	\$ 18,771	\$ 202,027
Other receivables	32,230	2,282
	<u>\$ 51,001</u>	<u>\$ 204,309</u>

4. **CAPITAL ASSETS**

Capital assets consist of the following:

	2022		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 311,329	\$ -	\$ 311,329
Building	1,764,196	66,158	1,698,038
Equipment	6,703	2,910	3,793
	<u>\$ 2,082,228</u>	<u>\$ 69,068</u>	<u>\$ 2,013,160</u>
	2021		
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 311,329	\$ -	\$ 311,329
Building	1,764,196	22,052	1,742,144
Equipment	6,703	2,240	4,463
	<u>\$ 2,082,228</u>	<u>\$ 24,292</u>	<u>\$ 2,057,936</u>

5. **CURRENT DEBT**

Current debt consists of a Canada Emergency Business Account with a limit of \$60,000 and is interest free until December 31, 2023. Of the \$60,000, \$20,000 will be forgiven if the remaining \$40,000 is paid by December 31, 2023. Any remaining balance will bear interest at 5% and will be due December 31, 2025.

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, 2022, this line of credit was unused.

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 Grants	Building Fund	2022 Total	2021 Total
Balance, beginning	\$ 42,737	\$ 289,213	\$ 331,950	\$ 143,886
Additional contributions received	205,888	39,021	244,909	375,168
Amounts recognized in the year	<u>(228,476)</u>	<u>(328,000)</u>	<u>(556,476)</u>	<u>(187,104)</u>
Balance, ending	<u>\$ 20,149</u>	<u>\$ 234</u>	<u>\$ 20,383</u>	<u>\$ 331,950</u>

Of the \$244,909 in grant funding received in the year, \$185,000 was from government sources. In the prior year, \$64,450 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:

	2022	2021
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 \$2,009,367	\$ 646,904	\$ 1,194,801
Less: Current portion	<u>(49,794)</u>	<u>(31,728)</u>
Long-term portion	<u>\$ 597,110</u>	<u>\$ 1,163,073</u>

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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

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

2023	\$ 49,794
2024	51,431
2025	53,122
2026	54,868
2027	56,672
Thereafter	<u>381,017</u>
	<u>\$ 646,904</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, 2022, 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, 2022.

(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 almost exclusively of HST receivable. There were no concentrations of credit risk as at December 31, 2022 and the allowance for doubtful accounts is \$nil as at December 31, 2022. 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
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December 31, 2022

(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 received in the year, 49% was from individuals, 9% was from other charities, and 16% was from government sources. Of the revenue received in the prior year, 72% was from individuals, 8% was from other charities, and 11% was from government sources.

11. **DONATIONS**

Included in donations are in-kind gifts valued at \$4,263 for the current year (2021 - \$361,721).

12. **OTHER REVENUE**

Other revenue includes \$328,000 of contributions reserved by donors for the building project and used in the year for special payments on the bank loan. Other revenue of the prior year included \$81,388 from a class action lawsuit against a department of the Government of Canada, plus \$20,000 from the forgivable portion of the Canada Emergency Business Account (see Note 5).

13. **GRANTS FOR SPECIAL PROJECTS**

Included in grants for special projects is \$204,531 (2021 - \$163,462) of government assistance.

14. **RESTATEMENT OF PRIOR YEARS**

During 2022, management discovered that the Canada Emergency Business Account was measured at its face value rather than at its expected realizable value as prescribed by Section 3800 of the CPA Handbook. The correction of this error resulted in a \$20,000 increase in opening equity, a \$20,000 increase in other revenue of the prior year, and a \$20,000 decrease in current debt of the prior year.

15. **COMPARATIVE FIGURES**

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