

OTTAWA INNERCITY MINISTRIES

FINANCIAL STATEMENTS

DECEMBER 31, 2019



INDEPENDENT AUDITORS' REPORT

To the Members of
Ottawa Innercity Ministries

Qualified Opinion

We have audited the financial statements of Ottawa Innercity Ministries (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statement of operations, changes in net assets and 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 possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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

The Organization derives revenue from the general public in the form of donations and social events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and social events, net revenue for the year, and cash flows from operations for the years ended December 31, 2019 and December 31, 2018, and current assets and net assets as at December 31, 2019 and December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2018 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.

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INDEPENDENT AUDITORS' REPORT

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.

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 auditors' 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.



INDEPENDENT AUDITORS' REPORT

- 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 auditors' 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 auditors' 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.

McCay Duff LLP,
Licensed Public Accountants.

Ottawa, Ontario,
May 5, 2020.

OTTAWA INNERCITY MINISTRIES
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

ASSETS			
		<u>2019</u>	<u>2018</u>
CURRENT			
Cash	\$	174,940	\$ 183,719
Investments (note 4)		409,657	331,027
Accounts receivable		22,027	12,062
Prepaid expenses		<u>6,050</u>	<u>5,139</u>
		612,674	531,947
CAPITAL (note 5)		<u>4,720</u>	<u>3,800</u>
	\$	<u><u>617,394</u></u>	<u><u>535,747</u></u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$	9,503	\$ 13,175
Deferred revenue (note 6)		<u>31,774</u>	<u>-</u>
		41,277	13,175
NET ASSETS			
BALANCE - END OF YEAR		<u>576,117</u>	<u>522,572</u>
	\$	<u><u>617,394</u></u>	<u><u>535,747</u></u>

Commitment (note 7)
Subsequent events (note 10)

Approved on behalf of the Board:

Director

Director

OTTAWA INNERCITY MINISTRIES

STATEMENT OF CHANGES IN CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
BALANCE - BEGINNING OF YEAR	\$ 522,572	\$ 280,895
Net revenue for the year	<u>53,545</u>	<u>241,677</u>
BALANCE - END OF YEAR	\$ <u><u>576,117</u></u>	\$ <u><u>522,572</u></u>

OTTAWA INNERCITY MINISTRIES

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>		<u>2018</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE			
Donations	\$ 407,000	\$ 431,205	\$ 666,059
Grants			
- National Capital Region Music Festival	2,000	7,500	-
- Home Depot Canada Grant	-	-	3,000
- City of Ottawa - Paint It Up	-	7,000	-
Veterans support	-	4,800	-
Investment income	11,000	28,630	9,870
Social events	<u>75,000</u>	<u>76,274</u>	<u>26,498</u>
	495,000	555,409	705,427
EXPENSES			
Advertising and promotion	13,250	8,316	18,296
Amortization	500	1,001	809
Fundraising	10,000	10,907	21,698
Office	40,650	45,486	48,215
Professional fees	10,300	8,523	8,315
Program	38,800	50,165	37,814
Rent	46,800	42,566	45,564
Salaries and wages	321,194	317,470	271,794
Telecommunications	5,700	2,569	4,201
Training expense	11,000	3,356	1,479
Travel	7,000	6,705	5,565
Veterans support	<u>-</u>	<u>4,800</u>	<u>-</u>
	<u>505,194</u>	<u>501,864</u>	<u>463,750</u>
NET REVENUE (EXPENSES) FOR THE YEAR	\$ <u>(10,194)</u>	\$ <u>53,545</u>	\$ <u>241,677</u>

OTTAWA INNERCITY MINISTRIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Cash from operations		
Net revenue for the year	\$ 53,545	\$ 241,677
Item not requiring an outlay of cash:		
- amortization	<u>1,001</u>	<u>809</u>
	54,546	242,486
Changes in non-cash working capital		
- accounts receivable	(9,965)	7,866
- prepaid expenses	(911)	20
- accounts payable and accrued liabilities	(3,671)	9,452
- deferred revenue	<u>31,774</u>	<u>(3,000)</u>
	71,773	256,824
INVESTING ACTIVITY		
Purchase of capital assets	(1,922)	(3,534)
Change in investments	<u>(78,630)</u>	<u>(209,870)</u>
	<u>(80,552)</u>	<u>(213,404)</u>
CHANGE IN CASH POSITION DURING THE YEAR	(8,779)	43,420
Cash position - beginning of year	<u>183,719</u>	<u>140,299</u>
CASH POSITION - END OF YEAR	\$ <u><u>174,940</u></u>	\$ <u><u>183,719</u></u>

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. ORGANIZATION AND ACCOUNTING FRAMEWORK

Ottawa Innerscity Ministries (the "Organization") is a Christian urban ministry whose purpose is to reach the people in the innercity of Ottawa with Christ's love, through a mercy ministry and being socially active as advocates for the innercity person. The Organization was incorporated without share capital on March 25, 1992 under the Corporations Act (Ontario). For Canadian income tax purposes the Organization is a registered charity, which is exempt from income tax, under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Organization's significant accounting policies are as follows:

(a) Revenue Recognition

The Organization follows the deferral method of accounting for restricted contributions. The total amount of the grant or contribution is recorded as an account receivable when the agreement has been signed and as deferred revenue pending performance of deliverables.

Restricted contributions are recognized as revenue when the related restrictions have been met. Unrestricted contributions or donations are recorded as revenue in the period received or determined to be receivable.

Investment income includes interest income and unrealized gains and losses on investments resulting from fluctuations in fair market value.

(b) Financial Instruments

The Organization's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities.

Measurement

Financial instruments are recorded at fair value on initial recognition.

The Organization subsequently measures its financial instruments as follows:

Cash, accounts receivable, and accounts payable and accrued liabilities are subsequently measured at amortized cost.

Investments are subsequently measured at fair value. Changes in fair value are recognized in net revenue.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in net revenue.

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. These estimates are reviewed periodically and adjustments are made to net revenue as appropriate in the year they become known.

(d) Volunteer Services

The Organization receives the services of many volunteers, the cost of which cannot be reasonably estimated. Therefore, no representation of this expenditure has been included in these financial statements.

(e) Capital Assets and Amortization

Capital assets are stated at cost, net of accumulated amortization. Amortization is provided on the straight line basis as follows:

Website	10 Years
Office equipment	10 Years

Capital assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in net revenue. A previously recognized write-down can be reversed to the extent of the improvement.

3. FINANCIAL RISKS AND CONCENTRATION OF RISKS

It is management's opinion that the Organization is not exposed to significant interest rate, liquidity, currency or credit risks arising from its financial instruments. There has been no change to the risk exposure from the prior year.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Organization is exposed to market risk on its investments. Management mitigates the risk by having an external investment manager assess market trends and fluctuations as well as diversify the portfolio in order to realize sustainable growth in the future. There has been an increase to the risk exposure from the prior year due to the increase in investments during the year.

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. INVESTMENTS

	<u>2019</u>	<u>2018</u>
Covenant Management Mutual Funds at market value. Cost of \$307,404 (2018 - \$283,175)	\$ 305,103	\$ 279,597
Stewards Canada Bonds, bearing interest at 3.25% per annum. Cost and accrued interest of \$53,115 (2018 - \$51,430), callable 30 days after demand	53,115	51,430
Stewards Canada Bonds, bearing interest at 3.25% per annum. Cost and accrued interest of \$51,439 (2018 - \$nil), callable 30 days after demand	<u>51,439</u>	<u>-</u>
	<u>\$ 409,657</u>	<u>\$ 331,027</u>

5. CAPITAL ASSETS

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Office equipment	\$ 5,456	\$ 899	\$ 4,557	\$ 3,181
Website	<u>4,559</u>	<u>4,396</u>	<u>163</u>	<u>619</u>
	<u>\$ 10,015</u>	<u>\$ 5,295</u>	<u>\$ 4,720</u>	<u>\$ 3,800</u>

6. DEFERRED REVENUE

Deferred revenues are restricted for use on the applicable projects for which funding was received.

	<u>Balance Beginning of Year</u>	<u>Less: Revenue Recognized</u>	<u>Plus: Amounts Received</u>	<u>Balance End of Year</u>
Veteran Support	\$ -	\$ 4,800	\$ 36,574	\$ 31,774

OTTAWA INNERCITY MINISTRIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. COMMITMENT

Leased Space

The Organization has leased space under an agreement which expires July 31, 2020 payable at monthly instalments of \$2,825, including applicable taxes.

8. BUDGET INFORMATION

The budget figures presented for comparison purposes are unaudited and are those approved by the Board of Directors. They have been reclassified to conform with the financial statement presentation.

9. RELATED PARTY TRANSACTIONS

No remuneration was paid to Directors and Officers during the year and they had no interest in any transactions of the Organization.

Management, in addition to fees, is reimbursed for certain administrative costs. These transactions were in the normal course of operations and were at the exchange amount.

10. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak a pandemic and over 175 countries have since reported cases including Canada and the United States of America. Governments in North America have and continue to implement financial easing policies to mitigate the financial impact on the economy in which the Organization operates. The financial impact on the Organization as a result of COVID-19 is unknown, the potential impact on future operations are not able to be determined. No amounts have been recognized in the audited financial statements relating to the potential financial impact on the Organization as a result of COVID-19.