# Beaver Valley Outreach

## Financial Statements

**For the Year Ended December 31, 2017**

# Beaver Valley Outreach

## Financial Statements
For the Year Ended December 31, 2017

Contents

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# Independent Auditor's Report

**To the Board of Directors of**
**Beaver Valley Outreach**

We have audited the accompanying financial statements of Beaver Valley Outreach, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility 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.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 entity'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 entity'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

**Basis for Qualified Opinion**

The opening capital asset balances were not subject to satisfactory audit verification. Therefore, we were unable to determine if any adjustments might be necessary to excess of revenues over expenses for the years ended December 31, 2017 and 2016, and capital assets and net assets at January 1 and December 31 for both the 2017 and 2016 years.

The organization did not accrue government remittances of $39,203 while they evaluate their filing options. As such, the capital assets are understated by $38,723, current liabilities are understated by $39,203, and excess of revenues and expenses and net assets are overstated by $480 for the year ended December 31, 2017.

In common with many charitable organizations, Beaver Valley Outreach derives revenue from donations, fundraising, program revenues, preschool revenues, and Treasure Shop revenues, 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 Beaver Valley Outreach. Therefore, we were not able to determine whether any adjustments might be necessary to donations, fundraising, program revenues, preschool revenues, and Treasure Shop revenues, excess of revenues over expenses and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1 and December 31 for both the 2017 and 2016 years.

**Qualified Opinion**

In our opinion, except for the effects, if any, of the matters described in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Beaver Valley Outreach as at December 31, 2017 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.

**Other Matter**

The financial statements of Beaver Valley Outreach for the year ending December 31, 2016 were compiled by another accountant.

**Comparative Information**

We draw attention to Note 2 to the financial statements which describes that Beaver Valley Outreach adopted Canadian accounting standards for not-for-profit organizations on January 1, 2017 with a transition date of January 1, 2016. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2016 and January 1, 2016, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2016 and related disclosures. We were not engaged to report on the comparative information, and as such, it is unaudited.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Collingwood, Ontario
March 22, 2018

# Beaver Valley Outreach
# Statement of Financial Position

| | December 31, 2017 | December 31, 2016 | January 1, 2016 |
|---|---|---|---|
| | | (Unaudited see Note 2) | (Unaudited see Note 2) |
| **Assets** | | | |
| **Current** | | | |
| Cash | $ 282,261 | $ 135,647 | $ 250,745 |
| Temporary investments (Note 3) | 358,306 | 717,360 | 558,473 |
| Accounts receivable | 35,730 | 35,703 | 24,511 |
| PSB rebate receivable | 8,324 | 11,153 | 11,481 |
| Prepaid expenses | 5,353 | 5,636 | 6,249 |
| | 689,974 | 905,499 | 851,459 |
| **Capital Assets (Note 4)** | 1,448,917 | 371,663 | 370,711 |
| | $ 2,138,891 | $ 1,277,162 | $ 1,222,170 |
| **Liabilities and Net Assets** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | $ 41,992 | $ - | $ - |
| Government remittances | - | - | 15,723 |
| Deferred revenue | - | 445 | 149 |
| Current portion of long-term debt (Note 5) | 33,229 | - | - |
| | 75,221 | 445 | 15,872 |
| **Long-term debt (Note 5)** | 682,710 | - | - |
| | 757,931 | 445 | 15,872 |
| **Net Assets** | | | |
| Operating Fund | 830,960 | 726,717 | 656,298 |
| Sustainability/Property Fund | 250,000 | 250,000 | 250,000 |
| Community Fund | 300,000 | 300,000 | 300,000 |
| | 1,380,960 | 1,276,717 | 1,206,298 |
| | $ 2,138,891 | $ 1,277,162 | $ 1,222,170 |

**On behalf of the Board:**

[signature] Director

________________ Director

**The accompanying notes are an integral part of these financial statements.**

# Beaver Valley Outreach
## Statement of Changes in Net Assets

| For the year ended December 31 | Operating Fund | Sustainability/ Property Fund | Community Fund | 2017 Total | 2016 Total |
|---|---|---|---|---|---|
| | | | | | (Unaudited see Note 2) |
| Balance, beginning of the year | $ 726,717 | $ 250,000 | $ 300,000 | $ 1,276,717 | $ 1,206,298 |
| Excess of revenues over expenses | 104,243 | - | - | 104,243 | 70,419 |
| Balance, end of the year | $ 830,960 | $ 250,000 | $ 300,000 | $ 1,380,960 | $ 1,276,717 |

The accompanying notes are an integral part of these financial statements.

# Beaver Valley Outreach
## Statement of Operations

| For the year ended December 31 | 2017 | 2016 |
|---|---|---|
| | | (Unaudited see Note 2) |
| **Revenues** | | |
| Program revenues (Schedule 1) | $ 340,853 | $ 280,430 |
| Preschool revenues (Schedule 2) | 462,606 | 400,289 |
| Treasure Shop revenues | 291,978 | 246,872 |
| Interest income | 5,439 | 6,357 |
| Member fees | 195 | 15 |
| Dividend income | 1,023 | 582 |
| Other revenue | 1,509 | - |
| | 1,103,603 | 934,545 |
| **Expenses** | | |
| Administration | 703 | 1,155 |
| Advertising and promotion | 2,624 | 1,440 |
| Amortization of capital assets | 29,254 | 13,312 |
| Bank charges | 2,811 | 2,364 |
| Communications | 15,652 | 14,709 |
| Health and safety | 630 | 723 |
| Insurance | 9,092 | 5,887 |
| Interest expense | 5,991 | - |
| Professional development | 1,000 | 3,760 |
| Professional fees | 21,039 | 3,131 |
| Repairs and maintenance | 12,301 | 10,900 |
| Supplies | 16,522 | 11,741 |
| Technical equipment and maintenance | 3,755 | 3,018 |
| Telephone | 4,789 | 4,212 |
| Utilities | 14,321 | 7,540 |
| Volunteer | 22,753 | 5,798 |
| Interest paid (financial institutions) | 21,312 | - |
| Program expenses (Schedule 1) | 349,621 | 386,157 |
| Preschool expenses (Schedule 2) | 450,448 | 372,282 |
| Treasure shop expenses | 14,742 | 15,997 |
| | 999,360 | 864,126 |
| **Excess of revenues over expenses** | $ 104,243 | $ 70,419 |

The accompanying notes are an integral part of these financial statements.

# Beaver Valley Outreach
## Statement of Cash Flows

| For the year ended December 31 | 2017 | 2016 |
|---|---|---|
| | | (Unaudited see Note 2) |
| **Cash flows from operating activities** | | |
| Excess of revenues over expenses | $ 104,243 | $ 70,419 |
| Items not affecting cash: | | |
| Amortization of capital assets | 29,254 | 13,312 |
| | 133,497 | 83,731 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 2,802 | (10,191) |
| Prepaid expenses | 283 | 613 |
| Accounts payable and accrued liabilities | 41,992 | (16,396) |
| Deferred revenue | (445) | 296 |
| | 178,129 | 58,053 |
| **Cash flows from investing activities** | | |
| Purchase of investments | - | (158,887) |
| Proceeds on disposal of investments | 359,054 | - |
| Purchase of land and building | (1,007,928) | - |
| Purchase of office and computer equipment | (13,528) | - |
| Purchase of building improvements | (85,052) | (14,264) |
| | (747,454) | (173,151) |
| **Cash flows from financing activities** | | |
| Repayment of long-term debt | (9,061) | - |
| Proceeds from loan | 725,000 | - |
| | 715,939 | - |
| **Net increase (decrease) in cash** | 146,614 | (115,098) |
| **Cash, beginning of the year** | 135,647 | 250,745 |
| **Cash, end of the year** | $ 282,261 | $ 135,647 |

The accompanying notes are an integral part of these financial statements.

## 1. Significant Accounting Policies

**Nature and Purpose of Organization**

The organization is a not-for-profit organization incorporated without share capital under the laws of Ontario.

The organization is a community-based organization of staff and volunteers that provide quality programs and services to enhance the social, economic, and environmental well-being of people in their community.

The organization is a registered charity and is exempt from income tax and may issue income tax receipts to donors.

**Basis of Accounting**

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

**Funds**

Beaver Valley Outreach follows the deferral method of accounting for contributions and uses fund accounting. They have three funds, the Community Fund, the Sustainability/Property Fund and the Operating Fund.

The Community Fund was created to provide grants to groups or individuals who need funding for projects enhancing community life.

The Sustainability/Property Fund was created for the investment in longer term GICs for sustainability of the organization and for future expansion and/or renovations and capital repairs to the organization's buildings.

The Operating Fund reports resources available for Beaver Valley Outreach's program delivery. This fund reports unrestricted resources.

**Revenue Recognition**

Beaver Valley Outreach follows the deferral method of accounting for contributions.

Revenue from Treasure Shop is recognized when the significant risks and rewards of ownership are transferred to the customer, which generally coincides with the time of purchase at the store. Revenue is recorded net of allowable discounts and rebates. Revenue from program fees and preschool are recognized at the time the service is delivered.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

December 31, 2017

## 1. Significant Accounting Policies (continued)

**Capital Assets**

Purchased capital assets are stated at cost less accumulated amortization. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the capital asset are capitalized.

Construction in progress is not amortized until the capital asset is substantially complete and ready for use.

Amortization based on the estimated useful life of the asset is calculated as follows:

| | Method | Rate |
|---|---|---|
| Building | Declining balance | 4% |
| Office equipment | Declining balance | 20% |
| Computer equipment | Declining balance | 55% |

**Contributed Materials and Services**

Due to the difficulty in determining the fair value of materials contributed to the organization they are not recognized in the financial statements.

The organization utilizes a large amount of volunteer hours to support its programs and services. The value of this contributed time is not reflected in these financial statements.

**Financial Instruments**

Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

December 31, 2017

**1. Significant Accounting Policies (continued)**

**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 that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results will differ from management's best estimates as additional information becomes available in the future. Key estimates include accounts payable and accrued liabilities.

## 2. First-time Adoption of Canadian Accounting Standards for Not-for-Profit Organizations

Effective January 1, 2017 the organization adopted the requirements of the accounting framework, Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) or Part III of the CPA Canada Handbook - Accounting. These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-Time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended December 31, 2017, the comparative information presented in these financial statements for the year ended December 31, 2016 and in the preparation of an opening ASNPO statement of financial position at the date of transition of January 1, 2016.

The adoption of ASNPO did not result in changes to the previously reported assets, liabilities, net assets, excess of revenues over expenses and cash flows of the organization. Accordingly, no adjustments have been recorded in the comparative statements of financial position, operations and change in net assets, and cash flows.

Fair Value

The organization elected to measure previously expensed office equipment at the date of transition to Canadian accounting standards for not-for-profit organizations at their fair value and use that fair value as their deemed cost at that date. The fair value was deemed to be nil. This resulted in no adjustments to the financial statements.

## 3. Investments

The carrying amounts of investments are comprised of the following:

| | 2017 | 2016 |
|---|---|---|
| At amortized cost: | | |
| TD Bank, Guaranteed Investment Certificates, 1 year bond, 1.15%, maturing on March 2018, redeemed in the year | $ - | $ 362,094 |
| TD Wealth, 1 to 3 year bonds, interest ranging from 1.72% to 2.35%, maturing on May 2017 to May 2019 | 189,544 | 345,314 |
| | 189,544 | 707,408 |
| At cost: | | |
| 1.1% interest in common shares of Mutual Fund. | 168,762 | 9,952 |
| | $ 358,306 | $ 717,360 |

## 4. Capital Assets

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Land - 64 Bruce | $ 45,035 | $ - | $ 45,035 | $ - |
| Land - 54 King | 386,000 | - | - | - |
| Building - 64 Bruce | 282,923 | 40,120 | 282,923 | 30,003 |
| Building - 54 King | 621,928 | 12,439 | - | - |
| Building improvements - 64 Bruce | 79,450 | 8,690 | 79,450 | 5,742 |
| Building improvements - 54 King | 85,052 | 1,701 | - | - |
| Computer equipment | 3,978 | 1,094 | - | - |
| Office equipment | 9,550 | 955 | - | - |
| | 1,513,916 | 64,999 | 407,408 | 35,745 |
| | | $ 1,448,917 | | $ 371,663 |

**December 31, 2017**

## 5. Long-term Debt

| | 2017 | 2016 |
|---|---|---|
| Loan payable to TD Canada Trust, repayable in monthly installments of $3,021 plus interest at 4.20% (prime plus 1%), maturing on March 10, 2022, secured by the General Security Agreement, the Continuing Collateral Mortgage and the Assignment of Fire Insurance on the building | $ 715,939 | $ - |
| Less: current portion | (33,229) | - |
| | $ 682,710 | $ - |

Principal repayments on long-term debt over the next five years are as follows:

| | |
|---|---|
| 2018 | $ 33,229 |
| 2019 | 36,250 |
| 2020 | 36,250 |
| 2021 | 36,250 |
| 2022 and thereafter | 573,960 |
| | $ 715,939 |

The Loan Agreement with TD Canada Trust includes a covenant requiring Beaver Valley Outreach to maintain a Debt Service Coverage ratio of not less than 120% at all times. As at December 31, 2017 Beaver Valley Outreach is in breach of this covenant. TD Canada Trust can accelerate the payment of principal and interest.

### 6. Financial Instruments

#### 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. Beaver Valley Outreach is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. Beaver Valley Outreach's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable, government remittances and holding all bank accounts with one financial institution where deposits are only insured up to $100,000.

#### Liquidity risk

Liquidity risk is the risk that Beaver Valley Outreach will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, Beaver Valley Outreach will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Beaver Valley Outreach is exposed to this risk mainly in respect of its accounts payable and mortgage loan.

Beaver Valley Outreach's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions.

#### 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. Beaver Valley Outreach is exposed to interest rate risk on its floating interest on the long-term debt and investments.

A portion of Beaver Valley Outreach's investments bear interest at floating rates. Fluctuations in these rates will impact the investment income received in the future.

Beaver Valley Outreach's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. Treasury risk management policies specify various investment parameters including eligible types of investment, maximum maturity dates, maximum exposure by counterparties and maximum credit ratings.

Beaver Valley Outreach mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time.

## 7. Contingencies and Commitments

On December 4, 2017, the organization announced the approval of a formal plan to hire Shertine Construction to finish construction on 54 King Street. The organization estimates it will incur costs in 2018 of $546,300. This estimate does not include any potential delays or increases in work.

# Beaver Valley Outreach
## Schedule 1 - Program Revenues and Expenses

| For the year ended December 31 | 2017 | 2016 |
|---|---|---|
| | | (Unaudited see Note 2) |
| **Revenues** | | |
| Affordable Housing | $ 10,000 | $ 6,000 |
| Breakfast Club | 5,142 | 6,040 |
| Donation revenue | 125,730 | 48,338 |
| Emergency Services | 16,545 | 20,032 |
| Good Food Box | 5,069 | 6,479 |
| Grocery Delivery | - | 23,821 |
| Health and Safety | - | 5,248 |
| Kid's Club | 76,181 | 60,748 |
| ODD Shop | 155 | 2,448 |
| Ontario Early Years | 21,072 | 21,110 |
| Recreational Funding | 2,000 | 6,448 |
| Seniors | 5,640 | - |
| Special Events | 1,190 | 2,436 |
| Summer Day Camp | 72,129 | 55,546 |
| Thanksgiving | - | 11,182 |
| Transportation | - | 4,554 |
| | 340,853 | 280,430 |
| **Expenses** | | |
| Affordable Housing | 7,610 | 12,097 |
| Breakfast Club | 5,669 | 5,395 |
| Christmas hampers | 22,874 | 23,871 |
| Emergency Services | 20,256 | 24,859 |
| Good Food Box | 7,579 | 5,053 |
| Grocery Delivery | - | 24,666 |
| Kid's Club | 70,728 | 58,485 |
| ODD Shop | 65 | - |
| Ontario Early Years | 20,738 | 21,427 |
| Recreational Funding | 9,389 | 9,889 |
| Seniors | 18,059 | 18,303 |
| Special Events | 6,799 | 6,836 |
| Summer Day Camp | 34,416 | 28,960 |
| Thanksgiving | - | 5,826 |
| Transportation | 214 | 5,430 |
| Wages and benefits | 118,065 | 108,713 |
| Youth | 7,160 | 8,505 |
| Volunteers | - | 17,842 |
| | 349,621 | 386,157 |
| | $ (8,768) | $ (105,727) |

# Beaver Valley Outreach
## Schedule 2 - Preschool Revenues and Expenses

| For the year ended December 31 | 2017 | 2016 |
|---|---|---|
| | | (Unaudited see Note 2) |
| **Revenues** | | |
| General operating grant | $ 55,179 | $ 63,641 |
| Donations | 481 | 2,724 |
| Parent fees | 266,083 | 252,057 |
| Subsidies | 111,216 | 69,530 |
| Other | 29,647 | 12,337 |
| | 462,606 | 400,289 |
| **Expenses** | | |
| Advertising | 19 | 134 |
| Cleaning | 6,117 | 4,961 |
| Food | 15,890 | 15,355 |
| Insurance | 1,703 | 2,872 |
| Meetings and conventions | 1,258 | 1,238 |
| Repairs and Maintenance | 3,495 | 7,346 |
| Supplies | 13,028 | 6,386 |
| Telephone | 785 | 1,137 |
| Utilities | 7,532 | 6,369 |
| Salaries and Wages | 400,621 | 326,484 |
| | 450,448 | 372,282 |
| | $ 12,158 | $ 28,007 |