

FRESH START SUPPORT SERVICES

Financial Statements

September 30, 2021

FRESH START SUPPORT SERVICES

Financial Statements

For The Year Ended September 30, 2021

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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, 2021, 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, 2021, 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, 2021 and year ending September 30, 2020, current assets as at September 30, 2021 and September 30, 2020 and net assets as at October 1, 2020 and September 30, 2021 for the 2021 year ended, as well as October 1, 2019 and September 30, 2020 for the 2020 year ended. Our audit opinion on the financial statements for the year ended September 30, 2020 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 24, 2022

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

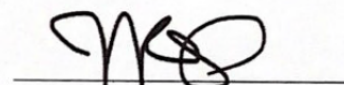
FRESH START SUPPORT SERVICES

Statement of Financial Position As At September 30, 2021

	<u>2021</u>	2020
	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	419,767	133,783
Accounts receivable	12,011	7,955
HST recoverable	2,253	2,130
Prepaid expenses	<u>3,085</u>	<u>1,073</u>
	437,116	144,941
TANGIBLE CAPITAL ASSETS (NOTE 2)	<u>138,232</u>	<u>151,100</u>
TOTAL ASSETS	<u>575,348</u>	<u>296,041</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	15,668	26,244
Government remittances payable	4,919	7,693
Deferred revenue and deposits (Note 4)	<u>2,148</u>	<u>6,497</u>
	22,735	40,434
DEFERRED CAPITAL CONTRIBUTIONS (NOTE 5)	170,000	-
LONG-TERM DEBT (NOTE 6)	<u>30,000</u>	<u>40,000</u>
TOTAL LIABILITIES	<u>222,735</u>	<u>80,434</u>
<u>NET ASSETS</u>		
OPERATING FUND	214,379	64,505
CAPITAL FUND	<u>138,234</u>	<u>151,102</u>
	<u>352,613</u>	<u>215,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u>575,348</u>	<u>296,041</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, 2021

	2021		
	Operating Fund \$	Capital Fund \$	Total \$
BALANCE, BEGINNING OF YEAR	64,505	151,102	215,607
Surplus for the year	137,006	-	137,006
INTERFUND TRANSFERS			
Net investment in tangible capital assets (Note 8)	<u>12,868</u>	<u>(12,868)</u>	<u>-</u>
BALANCE, END OF YEAR	<u>214,379</u>	<u>138,234</u>	<u>352,613</u>
	2020		
	Operating Fund \$	Capital Fund \$	Total \$
BALANCE, BEGINNING OF YEAR	2,651	166,413	169,064
Surplus for the year	46,543	-	46,543
INTERFUND TRANSFERS			
Net investment in tangible capital assets (Note 8)	<u>15,311</u>	<u>(15,311)</u>	<u>-</u>
BALANCE, END OF YEAR	<u>64,505</u>	<u>151,102</u>	<u>215,607</u>

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Statement of Operations For The Year Ended September 30, 2021

	2021	2020
	<u>\$</u>	<u>\$</u>
REVENUES		
Donations - general	287,597	276,320
Fundraising and banquet	10,463	15,142
Grants	55,594	75,710
Other government grants (Note 6)	10,000	-
Rent	30,224	49,690
Sundry income	<u>646</u>	<u>1,137</u>
	<u>394,524</u>	<u>417,999</u>
EXPENSES		
Amortization	14,895	15,311
Association fees and memberships	2,634	2,819
Bad debts	-	944
Bank charges and interest	671	1,193
Fundraising and banquet	3,146	5,836
Household expenses	3,827	13,121
Miscellaneous	1,055	840
Municipal taxes	5,576	5,489
Office supplies, postage and miscellaneous	6,307	4,602
Professional services	27,076	18,315
Program costs	4,354	1,773
Property insurance	8,013	6,233
Publicity and promotion	1,944	3,868
Repairs and maintenance- equipment	4,613	3,802
Repairs and maintenance- property	16,443	13,696
Staff training	2,576	12,487
Telephone	6,370	5,522
Travel	29	702
Utilities	1,173	8,117
Wages and benefits (Note 7)	<u>146,816</u>	<u>246,786</u>
	<u>257,518</u>	<u>371,456</u>
SURPLUS FOR THE YEAR	<u>137,006</u>	<u>46,543</u>

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Statement of Cash Flows For The Year Ended September 30, 2021

	2021	2020
	<u>\$</u>	<u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	137,006	46,543
Adjustments for non-cash items:		
Amortization of tangible capital assets	14,895	15,311
Other government grants	<u>(10,000)</u>	<u>-</u>
	<u>141,901</u>	<u>61,854</u>
Changes in non-cash working capital items:		
Accounts receivable and HST recoverable	(4,179)	(7,722)
Prepaid expenses	(2,012)	(502)
Accounts payable and accrued liabilities	(10,576)	(6,051)
Government remittances payable	(2,774)	1,908
Deferred revenue and deposits	(4,349)	(15,230)
Deferred capital contributions	<u>170,000</u>	<u>-</u>
	<u>146,110</u>	<u>(27,597)</u>
	<u>288,011</u>	<u>34,257</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(2,027)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances of long-term debt	<u>-</u>	<u>40,000</u>
NET CHANGE IN CASH	285,984	74,257
CASH, BEGINNING OF YEAR	<u>133,783</u>	<u>59,526</u>
CASH, END OF YEAR	<u>419,767</u>	<u>133,783</u>

See accompanying notes to the financial statements.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2021

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 year. These estimates are reviewed periodically and adjustments are made to the surplus as appropriate in the year they become known. There are no significant accounting estimates in these financial statements and such no further disclosures were made.

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, 2021

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 which is 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.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2021

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 net income. 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. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2021	2020
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Land	39,264	-	39,264	39,264
Building	222,498	144,624	77,874	86,774
Renovations	67,828	48,249	19,579	24,120
Furniture and equipment	38,437	38,135	302	491
Computers	<u>5,723</u>	<u>4,510</u>	<u>1,213</u>	<u>451</u>
	<u>373,750</u>	<u>235,518</u>	<u>138,232</u>	<u>151,100</u>

3. 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.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2021

4. 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:

	2021	2020
	<u>\$</u>	<u>\$</u>
Balance, beginning of year	6,497	21,727
Add: Grants received in the year for programs	2,148	6,497
Less: Amount recognized as revenue in the year	<u>(6,497)</u>	<u>(21,727)</u>
Balance, end of year	<u><u>2,148</u></u>	<u><u>6,497</u></u>

5. 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:

	2021	2020
	<u>\$</u>	<u>\$</u>
Balance, beginning of year	-	-
Add: Amount received related to future years	<u>170,000</u>	<u>-</u>
Balance, end of year	<u><u>170,000</u></u>	<u><u>-</u></u>

6. 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 December 31, 2023, up to 25% or \$10,000 will be forgivable. If the loan remains outstanding as at December 31, 2023, the loan will be converted to a 3-year term loan with annual interest at 5%, paid monthly, effective on January 1, 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 the current year, with the remaining \$30,000 reported in long-term debt.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2021

7. CANADIAN EMERGENCY WAGE SUBSIDY

During the 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 \$108,501 and included \$11,062 in accounts receivable for the CEWS program. The total of these payments under the CEWS program of \$119,563 has been reported in the statement of operations as a reduction in wages and benefits expense.

8. INTERFUND TRANSFER

During the year, Board of Directors authorized a transfer of \$12,868 (2020 - \$15,311) from the Capital Fund to the Operating Fund for capital expenses recorded in the Operating Fund.

9. SIGNIFICANT EVENT - COVID-19

Prior to year end, the organization was exposed to economic risks associated with the COVID-19 pandemic. These risks continued past the year end date and are beyond the organization's control. The impact of these risks cannot be identified at this time but could impact the organization's operations, future surplus, cash flows and financial condition.

FRESH START SUPPORT SERVICES

Notes to the Financial Statements For The Year Ended September 30, 2021

10. 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 floating interest rate line of credit. It is management's opinion that this risk is not significant.

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.