

Souls Harbour Rescue Mission

Financial Statements

June 30, 2022

Souls Harbour Rescue Mission
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A Member Firm of The AC Group of Independent Accounting Firms Limited

Independent Auditor's Report

To the Members of
Souls Harbour Rescue Mission

Qualified Opinion

We have audited the financial statements of Souls Harbour Rescue Mission, which comprise the statement of financial position as at June 30, 2022, and the statements 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 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 Souls Harbour Rescue Mission as at June 30, 2022 and its results of 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 not-for-profit organizations, the organization derives revenue from fundraising activities 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 fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2022 and 2021, current assets as at June 30, 2022 and 2021, and net assets as at July 1 and June 30 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended June 30, 2021 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 Auditor's 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 ASNPO, 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.

Independent Auditor's Report, continued

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

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.

Independent Auditor's Report, continued

- ♦ 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.




Bedford, Nova Scotia
October 27, 2022

RGH Inc.
Chartered Professional Accountants, Licensed
Public Accountants


Souls Harbour Rescue Mission
Statement of Financial Position
June 30

	2022	2021
ASSETS		
CURRENT		
Cash (note 3)	\$ 4,016,420	\$ 874,985
Prepaid expenses	8,766	1,618
Government remittances receivable	63,220	60,031
	4,088,406	936,634
PROPERTY, PLANT AND EQUIPMENT (note 4)	4,952,850	4,837,206
	\$ 9,041,256	\$ 5,773,840
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 36,411	\$ 9,464
Canada Emergency Business Account (note 5)	-	40,000
Current portion of long-term debt	55,500	73,750
Current portion of capital lease obligation	-	2,386
	91,911	125,600
LONG-TERM DEBT (note 6)	2,141,051	2,906,131
DEFERRED REVENUE (note 8)	2,995,185	-
	5,228,147	3,031,731
NET ASSETS	3,813,109	2,742,109
	\$ 9,041,256	\$ 5,773,840

On behalf of the Board


Blain King (Nov 2, 2022 14:26 ADT)

 Blain King, Treasurer


Cindy Wozney (Nov 2, 2022 14:54 ADT)

 Cindy Wozney, President

See accompanying notes to the financial statements

Souls Harbour Rescue Mission
Statement of Operations
Year ended June 30

	2022	2021
REVENUES		
General donations	\$ 2,287,791	\$ 2,250,170
Mission mart revenue	2,165,249	1,457,733
Grant revenue	226,868	147,000
Rental	16,018	-
	4,695,926	3,854,903
EXPENDITURES		
Wages and benefits	2,112,843	1,326,249
Advertising and promotion	374,197	296,565
Repairs and maintenance	195,571	289,364
Amortization	181,252	118,912
Office and administration	124,863	122,511
Interest on long-term debt	100,251	72,298
Property taxes	100,309	59,400
Utilities	79,434	42,163
Interest and bank charges	45,062	30,005
Professional fees	26,253	22,321
Subscriptions, permits and licenses	19,540	7,034
Insurance	16,042	15,343
Travel and automotive	13,786	5,961
Rent	8,093	346,650
Telephone and internet	7,243	9,298
	3,404,739	2,764,074
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER ITEMS	1,291,187	1,090,829
OTHER EXPENSES		
Ministry	219,382	175,707
Loss on foreign exchange	805	-
	220,187	175,707
EXCESS OF REVENUES OVER EXPENDITURES	\$ 1,071,000	\$ 915,122

See accompanying notes to the financial statements

Souls Harbour Rescue Mission
Statement of Changes in Net Assets
Year ended June 30

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 2,742,109	\$ 1,826,987
Excess of revenues over expenditures	<u>1,071,000</u>	<u>915,122</u>
BALANCE, END OF YEAR	\$ 3,813,109	\$ 2,742,109

See accompanying notes to the financial statements

Souls Harbour Rescue Mission
Statement of Cash Flows
Year ended June 30

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 1,071,000	\$ 915,122
Adjustment for Amortization	<u>181,252</u>	<u>118,912</u>
	1,252,252	1,034,034
Change in non-cash working capital items		
Accounts receivable	-	56,204
Prepaid expenses	(7,148)	209
Government remittances receivable	(3,189)	(25,064)
Accounts payable and accrued liabilities	<u>26,946</u>	<u>(61,789)</u>
	1,268,861	1,003,594
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(296,895)	(3,606,214)
Deferred lease cost	<u>-</u>	<u>228,939</u>
	(296,895)	(3,377,275)
FINANCING ACTIVITIES		
Repayment of long-term debt	(783,330)	(652,804)
Proceeds of long-term debt	-	3,014,200
Repayment of capital lease obligation	(2,386)	(9,539)
Deferred revenue	<u>2,995,185</u>	<u>-</u>
	2,209,469	2,351,857
NET INCREASE (DECREASE) IN CASH	3,181,435	(21,824)
CASH, BEGINNING OF YEAR	<u>834,985</u>	<u>856,809</u>
CASH, END OF YEAR	<u>\$ 4,016,420</u>	<u>\$ 834,985</u>

See accompanying notes to the financial statements

1. Nature of operations

Souls Harbour Rescue Mission is a not-for-profit organization. The mission is aimed at providing food, shelter, and basic hygiene necessities to homeless and low income senior citizens in the Halifax area. Souls Harbour also rescues people from poverty, addiction and despair, by offering emergency help, such as food and clothing, life-changing programs, and the Gospel Message.

The mission is a registered charity and therefore exempt from tax under the Canadian Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows.

(a) Impairment of long-lived assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(b) Cash

Cash consists of balances with financial institutions.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost. The organization provides for amortization using the declining balance method at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates are as follows:

2. Significant accounting policies, continued

(c) Property, plant and equipment, continued

Buildings	4%
Equipment	20%
Computer equipment	50%
Computer software	50%
Signs	20%

(d) Deferred revenue

Deferred revenue represents deposits received from grants, subsidies and funding. Grants, subsidies and funding received to cover expenses are included in income as expenses are incurred. Funding in relation to capital projects are amortized into income on the same basis as the fixed assets amortization.

(e) Revenue recognition

The organization follows the deferral method of accounting for contributions. 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. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Externally restricted contributions for the purchase of property, plant and equipment that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired property, plant and equipment. Externally restricted contributions for the purchase of property, plant and equipment that will not be amortized are recognized as direct increases in net assets to the Investment in Capital Assets balance.

Revenue from sale of clothing is recognized when the goods are delivered, services are rendered, amounts become collectible, persuasive evidence of an arrangement exists and collection is reasonably assured.

Souls Harbour Rescue Mission
Notes to the Financial Statements
June 30, 2022

2. Significant accounting policies, continued

(f) Donated material and services

Donated capital and investments are recorded in the financial statements at fair value on the date of the donation. Donated materials and services are not recorded because the fair market value is not readily determinable. With the exception of volunteer time, such material and services are not significant.

3. Cash

	2022	2021
Petty cash	\$ 6,057	\$ 5,559
Chequing account	1,296,246	869,426
Capital bank account - rapid housing initiative (note 8)	2,714,117	-
	-	-
	-	-
	-	-
	\$ 4,016,420	\$ 874,985

4. Property, plant and equipment

	2022		2021	
	Cost	Accumulated amortization	Net	Net
Land	\$ 838,950	\$ -	\$ 838,950	\$ 838,950
Buildings	4,168,908	370,206	3,798,702	3,925,364
Equipment	89,398	51,124	38,274	29,412
Building under construction (Note 8)	244,451	-	244,451	-
Computer equipment	13,156	7,819	5,337	3,039
Computer software	36,599	27,903	8,696	17,391
Signs	40,017	21,577	18,440	23,050
	\$ 5,431,479	\$ 478,629	\$ 4,952,850	\$ 4,837,206

5. Canada Emergency Business Account

Souls Harbour Rescue Mission
Notes to the Financial Statements
June 30, 2022

5. Canada Emergency Business Account, continued

The company applied for and obtained the \$60,000 Canada Emergency Business Account in the 2021 fiscal year. This was implemented by the Government of Canada to provide capital to organizations to assist with the challenges caused by COVID-19. The unsecured loan bears no interest and requires no principal repayments until December 31, 2023. If the loan is repaid by this date, 25% of the original loan amount is forgivable.

During the year ended the organization repaid the balance.

6. Long-term debt

	2022	2021
Inova Credit Union		
Balance repaid during October 2021	\$ -	\$ 479,200
Atlantic Central		
Mortgage repayable in monthly installments of \$12,224 plus interest at 4.20%, maturing September 2045.	<u>2,196,551</u>	2,500,681
	2,196,551	2,979,881
Less current portion	<u>55,500</u>	73,750
Due beyond one year	\$ 2,141,051	\$ 2,906,131

The organization is required to meet a specified debt service coverage ratio of not less than 1.25:1 under its lending agreement and the financial institution requires postponement of advances.. The organization is in compliance with these covenants as of the balance sheet date

- (a) General security agreement to be registered under PPSA
- (b) Collateral mortgage registered on property located at 5568 Cunard Street, Halifax, Nova Scotia
- (c) Collateral mortgage registered on property located at 136 Pleasant Street, Bridgewater, Nova Scotia
- (d) Collateral mortgage registered on property located at 130 King Street, Truro, Nova Scotia
- (e) Assignment of credit balances for \$59,450
- (f) Conventional mortgage over property located at 265 Susie Lake Crescent, Halifax, Nova Scotia
- (g) Collateral mortgage on property located at 7044 Highway 207, West Chezzetcook, Nova Scotia

Souls Harbour Rescue Mission
Notes to the Financial Statements
June 30, 2022

6. Long-term debt, continued

Estimated principal repayments are as follows:

2023	\$	55,500
2024		57,876
2025		60,355
2026		62,939
2027		65,634
Subsequent years		1,894,247
	\$	2,196,551

7. Capital lease obligation

		2022		2021
Accurate Leasing capital lease contract with POS equipment pledged as security, balance repaid during October 2021.	\$	-	\$	2,386
Less current portion		-		2,386
Due beyond one year	\$	-	\$	-

Souls Harbour Rescue Mission
Notes to the Financial Statements
June 30, 2022

8. Deferred revenue

Rapid Housing Initiative grant provided by Halifax Regional Municipality for a total allowance of \$2,995,185. The balance will be amortized to income for a 20 year term, which begins on January 1, 2023. Souls Harbour Rescue Mission has agreed to execute the terms of the grant. Should Souls Harbour Rescue Mission default on the terms of the grant it will be required to return the contribution. Construction of the building has begun.

	2022	2021
Rapid Housing Initiative	\$ 2,995,185	-

9. Financial instruments risks and uncertainties

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Liquidity risk

The organization does have a liquidity risk in the accounts payable and accrued liabilities of \$36,411 (2021 - \$9,464). Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the organization is low and is not material.

9. Financial instruments risks and uncertainties, continued

(b) Foreign exchange risk

The organization is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the organization by a customer, or that an obligation in a foreign currency was made to the organization to a supplier, is different at the time of settlement than it was at time that the obligation was determined. The organization reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the organization and engaging in hedges when there is a significant risk of exchange rate movement. The organization did not have any hedges at the time that the financial statements were issued. The organization does not utilize financial instruments to manage its foreign exchange risk. The organization maintains adequate foreign currency balances in its bank provided by its customers that discharged their obligations to the organization in the related currency, to discharge its related foreign currency obligations. In the opinion of management the foreign exchange risk exposure to the company is low and is not material.

(c) Cash flow risk

The organization is exposed to interest rate risk. Interest rate risk is the risk that the organization has interest rate exposure on its bank indebtedness, which are variable based on the bank's prime rates. This exposure may have an effect on its earnings in future periods. The organization reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates, or zero interest rates and do not affect interest rate risk. The organization does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the organization low and is not material.