

**TRANSITION HOUSE COALITION
OF NORTHUMBERLAND
FINANCIAL STATEMENTS
MARCH 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Transition House Coalition of Northumberland

Qualified Opinion

We have audited the financial statements of Transition House Coalition of Northumberland, (the Organization) which comprise the statement of financial position as at March 31, 2023, and the statements of operations, 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 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 March 31, 2023, 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 and other 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 donations and other fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2023 and March 31, 2022, current assets and nets assets as at March 31, 2023 and March 31, 2022. Our audit opinion on the financial statements for the year ended March 31, 2022 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 audit 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 Responsibility 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.

Langhorne Irwin Coleman LLP

Chartered Professional Accountants, Licensed Public Accountants

Cobourg, Ontario
September 21, 2023

TRANSITION HOUSE COALITION OF NORTHUMBERLAND

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash (Note 3)	\$ 400,234	\$ 419,109
Harmonized sales tax (HST) receivable	38,098	24,031
Other receivables	14,117	53,440
Prepaid expenses	12,377	11,026
	<u>464,826</u>	<u>507,606</u>
CAPITAL		
Property, building and equipment (Note 4)	309,884	320,898
	<u>\$ 774,710</u>	<u>\$ 828,504</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 68,490	\$ 55,048
Deferred contributions (Note 6)	29,531	286,227
Current portion of term loan payable (Note 7)	12,804	12,297
	<u>110,825</u>	<u>353,572</u>
LONG TERM		
Term loan payable (Note 7)	84,539	97,343
	<u>195,364</u>	<u>450,915</u>
NET ASSETS		
UNRESTRICTED	366,806	165,523
RESTRICTED FOR CAPITAL PURPOSES	<u>212,540</u>	<u>212,066</u>
	<u>579,346</u>	<u>377,589</u>
	<u>\$ 774,710</u>	<u>\$ 828,504</u>

On behalf of the Board:

_____ Chairman

_____ Treasurer

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

TRANSITION HOUSE COALITION OF NORTHUMBERLAND

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
REVENUE		
Donations	\$ 68,770	\$ 40,392
County funding - emergency shelter	494,000	490,000
County funding - other programs	884,547	609,249
Ontario Trillium Foundation grant	12,669	-
United Way Simcoe Muskoka grant	217,000	-
Other grants	24,585	110,881
United Way Northumberland grant	45,000	54,535
Government assistance (Note 11)	-	207,233
Interest and other income	1,267	343
	<u>1,747,838</u>	<u>1,512,633</u>
EXPENSES		
Amortization	11,014	11,852
Administration expenses	28,711	73,214
Insurance	17,526	11,369
Interest on term loan	4,217	4,704
Fundraising	6,334	1,255
Accounting and bookkeeping	20,320	19,856
Unforeseen expenses	-	94,437
Repair and maintenance	23,417	20,621
Residents expenses	562,376	140,048
Training	8,576	64,959
Utilities	14,104	10,976
Wages and benefits	791,274	855,329
Ontario Trillium grant expenses	12,669	-
Audit fees	7,276	6,756
Consulting and other fees	38,267	12,694
	<u>1,546,081</u>	<u>1,328,070</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 201,757</u>	<u>\$ 184,563</u>

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

TRANSITION HOUSE COALITION OF NORTHUMBERLAND

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2023

	UNRESTRICTED	RESTRICTED FOR CAPITAL PURPOSES	2023	2022
BALANCE , beginning of year	\$ 165,523	\$ 212,066	\$ 377,589	\$ 193,026
Excess of revenues over expenses	201,757	-	201,757	184,563
Interfund transfer (Note 8)	(474)	474	-	-
BALANCE , end of year	\$ 366,806	\$ 212,540	\$ 579,346	\$ 377,589

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

TRANSITION HOUSE COALITION OF NORTHUMBERLAND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
CASH FLOWS FROM (USED IN)		
Operating activities		
Excess of revenue over expenses	\$ 201,757	\$ 184,563
Item not requiring an outlay of cash		
Amortization	11,014	11,852
	<u>212,771</u>	<u>196,415</u>
Changes in non-cash working capital balances		
Other receivables	39,323	57,425
HST receivable	(14,067)	(440)
Prepaid expenses	(1,351)	(11,026)
Accounts payable and accrued liabilities	13,440	(7,021)
Deferred contributions	(256,696)	101,152
	<u>(219,351)</u>	<u>140,090</u>
Financing activities		
Repayment of term loan	(12,295)	(11,808)
INCREASE (DECREASE) IN CASH	(18,875)	324,697
CASH, beginning of year	<u>419,109</u>	<u>94,412</u>
CASH, end of year	<u>\$ 400,234</u>	<u>\$ 419,109</u>

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

TRANSITION HOUSE COALITION OF NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

1. PURPOSE AND LEGAL FORM OF THE ORGANIZATION

Transition House Coalition of Northumberland (Coalition) was established as a local response to homelessness in Northumberland County.

Their mission statement is "The Transition House Coalition of Northumberland will lead community groups and individuals to develop transitional housing solutions that will move people from emergency housing to permanent housing that is safe, accessible and affordable. In order to address the systemic issues of homelessness, the coalition will coordinate with partner groups and work with other community groups whose work supports the retention of permanent accommodation."

The Coalition is a non-profit corporation, incorporated on September 21, 1999 without share capital under the laws of the Province of Ontario, and is a registered charity under the Income Tax Act (Canada).

2. SUMMARY OF 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) Revenue recognition;

The Coalition 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 they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Coalition is funded primarily by the Corporation of the County of Northumberland (County) in accordance with budgets and contract arrangements. Operating grants are recorded as revenue in the period to which it relates. Grants approved but not received at the end of an accounting period are accrued.

Donations, government assistance, fundraising and other revenue are recognized in the period in which they are earned. Donations are recorded on the cash and in-kind basis when a measurement can be determined.

(b) Capital;

Property, building and equipment are recorded at cost. Amortization is provided at rates to amortize the cost of the assets on a declining basis over their estimated useful lives as follows:

Building	- 4%
Equipment	- 20%

(c) Donated goods and services;

The value of donated goods and services is recognized only when the fair market value is ascertainable. Other donated goods or services are not normally reflected in the records as their monetary value cannot be ascertained.

TRANSITION HOUSE COALITION OF NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instrument measurement;

The Coalition initially measures its financial assets and financial liabilities at fair value. The Coalition subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, HST receivable and other receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and term loan.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write down is recorded in net income. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the impairment amount previously recognized.

(e) Use of 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 revenue and expenses during the current period. The principal estimates used in the preparation of these financial statements are estimated useful lives of building and equipment and accounts payable and accrued liabilities. Actual results could differ from these estimates.

(f) Impairment of long-lived assets;

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the carrying amount of the long-lived asset exceeds the sum of the undiscounted future cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

3. CREDIT FACILITY

The Coalition has an operating line of credit of \$150,000 for general purposes. The current interest rate is prime plus 1%. There was no balance owing on the line of credit at the year end and it was not necessary for the Coalition to use the line of credit in 2023. The line of credit is secured by the land and building. The net carrying value of the secured assets is \$302,594 (2022 - \$311,785).

TRANSITION HOUSE COALITION OF NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

4. PROPERTY, BUILDING AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2023	Net 2022
Land	\$ 82,000	\$ -	\$ 82,000	\$ 82,000
Building	474,892	254,298	220,594	229,785
Equipment	38,626	31,336	7,290	9,113
	<u>\$ 595,518</u>	<u>\$ 285,634</u>	<u>\$ 309,884</u>	<u>\$ 320,898</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities as at March 31, 2023 are government remittances of \$23,184 (2022 - \$30,123) relating to workplace safety and insurance board and employee payroll remittances.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent funding received during the year for expenses to be incurred in the subsequent year.

	2023	2022
County of Northumberland Next Step Program	\$ -	\$ 82,851
County of Northumberland Well Being Program	-	74,880
County of Northumberland - Outreach Program	-	77,305
County of Northumberland - Warming Program	-	43,756
Ontario Trillium Foundation	29,531	-
Rogers Foundation	-	7,435
	<u>\$ 29,531</u>	<u>\$ 286,227</u>

TRANSITION HOUSE COALITION OF NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

7. TERM LOAN PAYABLE

	2023	2022
Term loan due December 1, 2024, repayable in blended monthly payments of \$1,376 including interest at 4.05%, secured by the building and land	\$ 97,343	\$ 109,640
Current portion	(12,804)	(12,297)
	<u>\$ 84,539</u>	<u>\$ 97,343</u>

Principal payments due in the three years are as follows:

2023	\$ 12,804
2024	84,539
2025	<u>-</u>
	<u>\$ 97,343</u>

The net carrying value of the secured assets is \$302,594 (2022 - \$311,785).

8. INTERFUND TRANSFER

The Coalition designated a transfer of \$474 from the Unrestricted Fund to the Restricted for Capital Purposes Fund during the year. The primary purpose of this transfer is to recognize the principal demand loan payment offset by amortization.

9. ECONOMIC DEPENDENCE

The Coalition was subsidized by the County through the Community Homelessness Prevention Initiative (CHPI) Service Agreement. The service agreement is on the calendar year basis and represents 29% (2022 - 33%) of their revenue. The agreement renews on an annual basis unless either party provides sixty days notice of termination.

Other program agreements have various terms and conditions and relate to specific programs. In 2023 the funding received represented 50% (2022 - 39%) of revenue.

TRANSITION HOUSE COALITION OF NORTHUMBERLAND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

10. FINANCIAL INSTRUMENTS

The Coalition is exposed to various risks through its financial instruments. The following analysis provides a measure of the Coalition's risk exposure as at March 31, 2023.

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 Coalition is exposed to a concentration of credit risk in these financial statements due to the funds held in a financial institution in excess of federally insured limits. The Coalition has minimal risk exposure with their accounts receivable as it is harmonized sales tax rebates and pre-existing contract receivables.

Liquidity risk

Liquidity risk is the risk that the Coalition will encounter difficulty in meeting obligations associated with financial liabilities. The Coalition is exposed to this risk mainly in respect to accounts payable and term loan payable.

There have been no significant changes to the risk exposures since March 31, 2022.

11. GOVERNMENT ASSISTANCE

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy program in April 2020 ("CEWS"). CEWS provides a wage subsidy on eligible remuneration to eligible employers based on certain criteria. The Coalition assessed its eligibility related to CEWS and determined it had qualified for this subsidy from April 11, 2021 through to October 23, 2021. Accordingly, it had applied for and received in the prior year \$207,233 (2021 - \$149,628). The subsidy had been recorded as income.
