

CAMBRIDGE SHELTER CORPORATION

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cambridge Shelter Corporation

Qualified Opinion

We have audited the accompanying financial statements of **Cambridge Shelter Corporation** (the Organization), which comprise the statement of financial position as at December 31, 2022, and the statements of revenue and expenses, fund balances 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 the Organization as at December 31, 2022, and its financial performance 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 fundraising, the completeness of which is not susceptible to 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 revenues, excess of revenue over expenses and fund balances.

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 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 the Board of Directors 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 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.

Carolan Mathew Professional Corporation

Cambridge, Ontario
April 26, 2023

Chartered Professional Accountants, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario

**STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	2022 \$	2021 \$
Revenue - Grants		
Region of Waterloo - Emergency Shelter	1,277,853	1,228,645
Region of Waterloo - Supportive Housing	145,518	137,258
Region of Waterloo - Other	797,321	1,008,069
Region of Waterloo - Rent Supplement	50,028	30,844
Region of Waterloo - Intensive Shelter Worker		49,266
Region of Waterloo - Kinsmen Centre	676,783	
Social enterprise development	14,950	
Ministry of Children, Community and Social Services	24,500	24,500
United Way	85,000	96,501
Blair Foundation	90,000	106,600
Amortization of deferred contributions (note 5)	39,502	40,308
Forgiveness of interest on loans (note 6)	53,342	36,802
Grants, other	73,019	127,049
Trillium Foundation	10,809	29,400
City of Cambridge		10,400
Revenue - Other		
Donations	172,031	189,150
Fundraising	39,004	34,452
Tenant rents	103,832	102,264
Other	11,132	21,848
	3,664,624	3,273,356



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

STATEMENT OF REVENUE AND EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	2022 \$	2021 \$
Expenses		
Salaries and benefits (note 13)	1,725,961	1,994,269
Staff development	25,248	10,790
Fundraising	11,474	18,750
Program costs	1,310,857	627,514
Social enterprise development	14,950	
Building maintenance and repairs	101,123	107,404
Utilities	79,620	58,528
Office and administration	30,762	15,699
Communications	8,863	8,414
Professional fees	21,071	16,781
Insurance	32,021	26,117
Equipment purchases and repair	20,573	14,591
Honorariums and recognition gifts	8,978	11,491
Interest on long-term debt	77,277	66,741
Interest and bank charges	10,788	7,713
Amortization	100,747	97,517
	3,580,313	3,082,319
Excess of revenue over expenses for the year	84,311	191,037



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

**STATEMENT OF FUND BALANCES
YEAR ENDED DECEMBER 31, 2022**

	2022 \$	2021 \$
GENERAL FUND		
Fund balance, beginning of year	36,959	(154,078)
Excess of revenue over expenses for the year	84,311	191,037
Fund balance, end of year	121,270	36,959

	CAPITAL RESERVE FUND	
Fund balance, beginning of year	16,692	15,144
Investment income (loss)	(1,442)	1,548
Fund balance, end of year	15,250	16,692



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

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

	2022 \$	2021 \$
ASSETS		
Cash (note 11)	107,426	123,857
Cash held in trust (note 7)	339,221	313,964
Accounts receivable	274,083	314,083
Prepaid expenses		1,625
Current assets	720,730	753,529
Capital reserve investment (note 8)	15,250	16,692
Capital assets (note 3)	3,282,200	3,327,985
	4,018,180	4,098,206
LIABILITIES		
Accounts payable and accrued liabilities (note 4)	182,813	322,705
Client trust deposits (note 7)	339,221	313,964
Deferred revenue	213,269	159,357
Long-term debt (note 9)	63,457	61,193
Current liabilities	798,760	857,219
Deferred contributions (notes 5 and 6)	1,989,447	2,028,949
Long-term debt (note 9)	1,093,453	1,158,387
	3,881,660	4,044,555
FUND BALANCES		
Capital reserve fund (note 8)	15,250	16,692
General fund	121,270	36,959
	136,520	53,651
	4,018,180	4,098,206

APPROVED BY THE BOARD:

_____ Director
 _____ Director



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

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

	2022 \$	2021 \$
Cash flows from operating activities:		
Excess of revenue over expenses for year	84,311	191,037
Item not involving cash:		
Amortization	100,747	97,517
Amortization of deferred contributions	(39,502)	(40,308)
	145,556	248,246
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	40,000	(198,797)
Prepaid expenses	1,625	2,679
Accounts payable and accrued liabilities	(139,889)	195,034
Deferred revenue	53,912	64,641
	101,204	311,803
Cash flows from investment activities:		
Net additions to capital assets	(54,965)	(161,530)
Cash flows from financing activities:		
Repayments of long-term debt	(62,670)	(57,261)
Net increase (decrease) in cash	(16,431)	93,012
Cash, beginning of year	123,857	30,845
Cash, end of year	107,426	123,857



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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

1. Incorporation and Operations

Cambridge Shelter Corporation is a non-profit organization which was incorporated under the laws of the Province of Ontario under supplementary letters patent on April 1, 2012 whose mission is to provide safe shelter and to offer support and encouragement for the individual hopes and needs of people dealing with life issues at its location in Cambridge, Ontario. The Organization was formed by way of amalgamation of Cambridge Shelter Corporation and Making Room Community Support for the Homeless under the name Cambridge Shelter Corporation.

As Cambridge Shelter Corporation is a registered charity under the Income Tax Act, its income is not taxable and it is eligible to issue official income tax receipts for charitable donations.

2. 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:

(a) Fund accounting

To ensure observation of restrictions placed on use of resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. The resources are classified for accounting and reporting purposes into the following funds which have been established according to their nature and purpose:

The **General fund**, accounts for revenue and expenses related to the operating and administration of Cambridge Shelter Corporation.

The **Capital Reserve fund**, is maintained to provide for future replacement costs of the building.

(b) Revenue recognition

Contributions are recognized using the deferral method under which 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. Government wage assistance is recorded in the period in which the related expenditures are incurred.

(c) Contributed services and materials

Donations of materials and services are not reflected in these financial statements because of the impracticality of the record keeping and valuation of them.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

2. Summary of Significant Accounting Policies (Continued)

(d) Capital assets

The Organization amortizes capital assets using the declining-balance method at annual rates which will amortize the assets over their estimated useful lives:

Building	2%
Furniture and equipment	20%

(e) Financial instruments

All financial assets and liabilities are recorded at amortized cost less any discovered impairment.

(f) 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 revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

	2022 \$	2021 \$
3. Capital Assets		
Cost		
Land and improvements	457,075	457,075
Building	3,663,444	3,621,707
Furniture and equipment	486,118	472,893
	4,606,637	4,551,675
Accumulated amortization		
Building	1,035,065	981,851
Furniture and equipment	289,372	241,839
	1,324,437	1,223,690
Net Book Value	3,282,200	3,327,985



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

4. Accounts Payable and Accrued Liabilities

There were no amounts payable with respect to government remittances as of the year end date.

5. Deferred Contributions Related to Capital Assets

Deferred contributions, amounting to \$1,989,447, relate to capital asset acquisitions and include the unamortized portions of the contributions with which the Organization built a shelter for the homeless. Deferred contributions of \$39,502 were taken into income during the year ended December 31, 2022.

6. Forgivable Loans

The Organization has received funds under the Ontario Affordable Housing Program (\$557,000) and from the Region of Waterloo (\$270,000).

These funds are subject to the terms and conditions stipulated by each agreement. If the Organization is in compliance with these agreements, an annual forgiveness of interest will apply. If the Organization continues to be in compliance until 2024, the principal shall be forgiven at that time.

The principal has been included as a deferred contribution related to capital assets (note 5).

Each year the forgiveness of interest will be recognized as income.

7. Client Trust Deposits

The Shelter manages a trust account, registered with the office of the public guardian, on behalf of the individuals and families they serve. Authorization is given to the Shelter by the individual to manage funds on their behalf to ensure that their personal living expenses are covered based on the financial resources available to the them.

8. Capital Reserve Fund

The capital reserve fund is to be used for the future replacement costs of the building.

The Organization's capital reserve funds are currently invested with the Waterloo Region Community Foundation. The investment is invested in accordance with the Foundation's current investment policy.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

	2022 \$	2021 \$
9. Long-Term Debt		
Operating loan - Region of Waterloo, details below	515,622	515,622
Mortgage from Bank of Montreal, bearing interest at 3.61% per annum, with blended monthly payments of \$7,217, maturing August 2024.	641,288	703,958
	1,156,910	1,219,580
Current portion	63,457	61,193
	1,093,453	1,158,387

The Organization entered into a loan agreement, dated June 14, 2019, with The Region of Waterloo to provide a loan of up to \$750,000 to be used to address budgetary cash flow issues related to its operations. The loan is secured by a collateral charge of \$750,000 on the properties at 26 Simcoe Street and 159 Ainslie Street North. The loan does not bear interest unless and until the date of termination of the loan agreement, at which time interest at a rate of prime plus 2% per annum will be payable in addition to the principal amount of the loan. The loan principal shall be paid to The Region of Waterloo on the date which is the earlier of the following occurrences:

- (i) the Organization enters into an agreement for the sale or transfer of any part of the properties at 26 Simcoe Street or 159 Ainslie Street North;
- (ii) an event of default occurs (as defined in the loan agreement);
- (iii) The Region of Waterloo determines that the financial position of the Organization has stabilized, such that there is no accumulated deficit and cash flows are sufficient to meet its operating expenses, mortgage payments, maintain the property in a good state of repair and has capital reserves that are adequately funded; or
- (iv) Upon thirteen months written notice of demand for repayment of the loan by The Region of Waterloo.

Principal repayments for the next two years on the mortgage with Bank of Montreal are approximately as follows:

	\$
2023	63,457
2024	577,831
	641,288



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

10. Financial Instruments

The entity is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the year end date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt.

Credit risk

The entity is exposed to credit risk with respect to grants and accounts receivable. Any grants receivable are typically received soon after the fiscal year-end. The entity regularly assesses the collectibility of its accounts receivable.

For pledges, the entity recognizes at year end only those pledges for which amounts have been received at the date of completion of the financial statements.

Market risk

Market risk is the risk that the fair value of 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 entity is mainly exposed to interest rate risk.

Interest rate risk

The entity is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the entity to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The entity is exposed to this type of risk as a result of its long-term debt.

11. Cash

The Organization has a line of credit with a limit of \$150,000 with interest at prime plus 2% per annum, which is secured by a general security agreement. There were no amounts drawn on this facility at December 31, 2022.

12. Economic Dependence

The Organization receives funding and a loan from The Region of Waterloo to assist with offsetting the amount of costs incurred by the Organization. The Organization is dependent on receiving this funding for its day-to-day operations.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

13. Pension Fund

Commencing June 1, 2019 the Organization began contributing to a pension fund as per its Collective Agreement at a rate of 2% of the gross pay for all hours worked by employees covered under the Collective Agreement. On November 13, 2021 the rate of contribution increased to 2.5%. On November 14, 2022 the rate of contribution increased to 3%. Contributions for an employee are payable after one year of continuous employment.

During the year the amount contributed to the pension fund was \$33,886. These payments are included as an expenditure in the statement of revenue and expenses under salaries and benefits.

14. Uncertainty Regarding COVID-19

As the COVID-19 pandemic continues to impact the economy, it could result in a significant negative impact on the Organization's operations. As of the time of authorization of these financial statements, it is not possible to estimate the length and severity of these developments and their impact on the financial results and operations of the Organization.

