

CAMBRIDGE SHELTER CORPORATION

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cambridge Shelter Corporation

We have audited the accompanying financial statements of **Cambridge Shelter Corporation**, which comprise the statement of financial position as at December 31, 2017, and the statements of revenue and expenses, fund balances 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.

Auditors' 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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

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 (deficiency) of revenue over expenses and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Cambridge Shelter Corporation** 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.



Cambridge, Ontario
April 25, 2018

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

**STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	2017 \$	2016 \$
Revenue - Grants		
Region of Waterloo - Emergency Shelter	1,007,662	964,422
Region of Waterloo - HPS	87,336	114,947
Region of Waterloo - Supportive Housing	72,454	68,458
Region of Waterloo - STEP Home Pilot	147,677	110,758
Region of Waterloo - Rapid Re-Housing	59,960	44,970
Region of Waterloo - Intensive Shelter Worker	57,300	
Region of Waterloo - Other	43,586	23,127
Region of Waterloo - Rent Supplement	23,441	23,105
Region of Waterloo - Peer Support		5,075
Region of Waterloo - Trust Program	15,000	10,000
Provincial Homeless Initiative		4,024
United Way	50,424	57,117
Blair Foundation	60,000	60,000
Trillium Foundation	187,500	175,330
City of Cambridge	10,404	10,404
Amortization of deferred contributions (note 5)	43,700	44,594
Forgiveness of interest on loans (note 6)	40,523	38,869
Grants, other	26,215	19,366
Revenue - Other		
Donations	186,268	148,942
Fundraising	115,591	180,494
Tenant rents	212,741	192,947
Investment income	3,431	2,834
Other	24,895	5,438
	2,476,108	2,305,221



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

STATEMENT OF REVENUE AND EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

	2017 \$	2016 \$
Expenses		
Salaries and benefits	1,353,462	1,174,049
Staff development	24,288	24,936
Fundraising	28,820	30,401
Program costs	413,783	270,742
Saginaw House expenses (note 7)	61,622	86,228
Simcoe House expenses	94,761	121,024
Ancora House expenses (note 7)	189,299	174,772
Building maintenance and repairs	67,222	63,222
Utilities	82,471	73,276
Office and administration	19,568	22,809
Communications	11,518	12,849
Professional fees	180,163	24,688
Insurance	20,490	20,590
Equipment purchases and repair	24,274	10,619
Community development	1,789	1,913
Honorariums and recognition gifts	14,770	25,155
Interest on long-term debt	77,957	77,111
Interest and bank charges	9,110	8,702
Amortization	77,920	75,689
	2,753,287	2,298,775
Excess (deficiency) of revenue over expenses for the year	(277,179)	6,446



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

**STATEMENT OF FUND BALANCES
YEAR ENDED DECEMBER 31, 2017**

	2017 \$	2016 \$
GENERAL FUND		
Fund balance, beginning of year	202,281	170,231
Excess (deficiency) of revenue over expenses for the year	(277,179)	6,446
Transfer from capital reserve fund (note 10)	33,528	25,604
Fund balance, end of year	(41,370)	202,281

	CAPITAL RESERVE FUND	
Fund balance, beginning of year	204,181	220,272
Interest income	11,975	9,513
Transfer to operating fund (note 10)	(33,528)	(25,604)
Fund balance, end of year	182,628	204,181



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

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

	2017 \$	2016 \$
ASSETS		
Cash		134,255
Cash held in trust (note 8)	316,260	239,996
Accounts receivable	75,864	104,521
Grant receivable (note 13)	174,800	194,200
Prepaid expenses	5,327	24,614
Current assets	572,251	697,586
Grant receivable (note 13)	19,300	194,100
Capital reserve investment (note 10)	182,628	204,181
Capital assets (note 3)	3,353,935	3,414,052
	4,128,114	4,509,919
LIABILITIES		
Bank advances (note 12)	82,022	
Accounts payable and accrued liabilities (note 4)	133,116	68,370
Client trust deposits (note 8)	316,260	239,996
Deferred revenue	128,635	159,278
Deferred revenue, grant (note 13)	174,800	194,200
Long-term debt (note 9)	63,593	69,235
Current liabilities	898,426	731,079
Deferred contributions (notes 5 and 6)	2,195,183	2,238,883
Deferred revenue, grant (note 13)	19,300	194,100
Long-term debt (note 9)	873,947	939,395
	3,986,856	4,103,457
FUND BALANCES		
Capital reserve fund	182,628	204,181
General fund	(41,370)	202,281
	141,258	406,462
	4,128,114	4,509,919

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, 2017**

	2017 \$	2016 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses for year	(277,179)	6,446
Item not involving cash:		
Amortization	77,920	75,689
Amortization of deferred contributions	(43,700)	(44,594)
	(242,959)	37,541
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	28,657	(20,994)
Grant receivable	194,200	194,200
Prepaid expenses	19,287	16,786
Accounts payable and accrued liabilities	64,746	27,945
Deferred revenue	(30,643)	70,758
Deferred revenue, grant	(194,200)	(194,200)
	(160,912)	132,036
Cash flows from investment activities:		
Net additions to capital assets	(17,803)	(50,747)
Interest earned on capital reserve fund	11,975	9,513
	(5,828)	(41,234)
Cash flows from financing activities:		
Repayment of long-term debt	(71,090)	(68,851)
Net increase (decrease) in cash	(237,830)	21,951
Cash, beginning of year	338,436	316,485
Cash, end of year	100,606	338,436
Cash position includes:		
Cash (bank advances)	(82,022)	134,255
Capital reserve investment	182,628	204,181
	100,606	338,436



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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2017**

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 main shelter location and at its Simcoe, Saginaw and Ancora House locations 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.

(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, 2017**

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.

	2017	2016
	\$	\$
3. Capital Assets		
Cost		
Land and improvements	457,075	457,075
Building	3,568,824	3,568,824
Furniture and equipment	212,419	194,616
	4,238,318	4,220,515
Accumulated amortization		
Building	763,544	706,294
Furniture and equipment	120,839	100,169
	884,383	806,463
Net Book Value	3,353,935	3,414,052

4. Accounts Payable and Accrued Liabilities

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



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2017**

5. Deferred Contributions Related to Capital Assets

Deferred contributions, amounting to \$2,195,183, relate to capital asset expenditures and include the unamortized portions of the contributions with which the Organization built a shelter for the homeless. Deferred contributions of \$43,700 were taken into income during the year ended December 31, 2017.

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. Lease Commitments

The Organization leases a secondary men's facility on Saginaw Parkway, Cambridge, Ontario for Saginaw House under a one year lease agreement at a monthly cost of \$2,400 from May 1, 2017 - May 1, 2018.

The Organization leases a women's facility on Griffiths Avenue, Cambridge, Ontario for Ancora House under a three year lease agreement at a monthly cost of \$1,600 from February 5, 2016 - February 5, 2019.

8. 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.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2017**

	2017 \$	2016 \$
9. Long-Term Debt		
First mortgage, bearing interest at prime plus 2% with blended monthly payments of \$1,000, secured by land and building and maturing March 2019.	14,125	25,152
Mortgage from Bank of Montreal, bearing interest at 3.97% per annum, with blended monthly payments of \$7,291, maturing August 2021.	923,415	973,478
Loan payable to Cambridge Kiwanis Village Non-Profit Housing Corporation, non interest bearing. Balance repayable in annual instalments of \$10,000. Repaid February 2017.		10,000
	937,540	1,008,630
Current portion due within one year	63,593	69,235
	873,947	939,395

Principal repayments for the next four years are approximately as follows:

	\$
2018	63,593
2019	56,761
2020	56,329
2021	760,857
	937,540

10. Capital Reserve Fund

As a condition of the mortgage with Bank of Montreal, the Organization is required to make minimum annual contributions to its capital reserve fund in the amount of \$9,396. The fund is to be used for the future replacement costs of the building. During the year, in addition to the required transfer of \$9,396 to the capital reserve, the Board approved transfers of \$42,924 out of the capital reserve to the operating fund.

The Organization's capital reserve funds are currently invested with the Cambridge and North Dumfries Community Foundation. The investment is invested in accordance with the Foundation's current investment policy.



11. 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 bank advances 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.

12. Bank Advances

The Organization has a line of credit with a limit of \$100,000 with interest at prime plus 2% per annum, which is secured by a general security agreement. The bank advances balance at December 31, 2017 consists of bank advances of \$25,639 less outstanding items of \$56,383.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2017**

13. Grant Receivable

In 2015, the Organization was approved to receive funding over 36 months from the Ontario Trillium Foundation in the amount of \$582,500 to open a new sobriety based recovery home for women, Ancora House. The project builds on the success of Saginaw House, a sobriety based recovery home for men that the Organization has been running since 2011. The Organization is required to spend the grant funds on specific areas, as directed in the grant budget agreement, and any unspent funds are required to be returned to the Ontario Trillium Foundation. The remaining grant funds are to be advanced as follows, in accordance with the grant budget agreement:

	\$
2018	174,800
2019	19,300
	194,100
	194,100

