

CAMBRIDGE SHELTER CORPORATION

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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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, 2018, 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, 2018, 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, deficiency 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.

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 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.

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.



Cambridge, Ontario
November 6, 2019

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

**STATEMENT OF REVENUE AND EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 \$
Revenue - Grants		
Region of Waterloo - Emergency Shelter	1,016,062	1,007,662
Region of Waterloo - HPS	946	87,336
Region of Waterloo - Supportive Housing	108,504	72,454
Region of Waterloo - STEP Home Pilot	108,864	147,677
Region of Waterloo - Rapid Re-Housing	14,990	59,960
Region of Waterloo - Intensive Shelter Worker	48,300	57,300
Region of Waterloo - Other	439,704	43,586
Region of Waterloo - Rent Supplement	23,043	23,441
Region of Waterloo - Trust Program	15,000	15,000
United Way	48,628	50,424
Blair Foundation	60,000	60,000
Trillium Foundation	187,500	187,500
City of Cambridge	10,400	10,404
Amortization of deferred contributions (note 5)	42,826	43,700
Forgiveness of interest on loans (note 6)	46,643	40,523
Grants, other	38,716	26,215
Revenue - Other		
Donations	250,215	186,268
Fundraising	30,455	115,591
Tenant rents	223,280	212,741
Investment income		3,431
Other	21,397	24,895
	2,735,473	2,476,108



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

STATEMENT OF REVENUE AND EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

	2018 \$	2017 \$
Expenses		
Salaries and benefits	1,575,713	1,353,462
Staff development	15,890	24,288
Fundraising	23,475	28,820
Program costs	498,366	413,783
Saginaw House expenses (note 7)	55,397	61,622
Simcoe House expenses	117,648	94,761
Ancora House expenses (note 7)	179,262	189,299
Building maintenance and repairs	91,775	67,222
Utilities	81,509	82,471
Office and administration	18,131	19,568
Communications	17,846	11,518
Professional fees	46,127	180,163
Insurance	21,149	20,490
Equipment purchases and repair	37,967	24,274
Community development	2,326	1,789
Honorariums and recognition gifts	1,819	14,770
Interest on long-term debt	82,058	77,957
Interest and bank charges	15,169	9,110
Amortization	78,542	77,920
	2,960,169	2,753,287
Deficiency of revenue over expenses for the year	(224,696)	(277,179)



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

**STATEMENT OF FUND BALANCES
YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 \$
	GENERAL FUND	
Fund balance, beginning of year	(41,370)	202,281
Deficiency of revenue over expenses for the year	(224,696)	(277,179)
Transfer from capital reserve fund (note 10)	125,764	33,528
Fund balance, end of year	(140,302)	(41,370)

	CAPITAL RESERVE FUND	
Fund balance, beginning of year	182,628	204,181
Interest income	1,471	11,975
Transfer to operating fund (note 10)	(125,764)	(33,528)
Fund balance, end of year	58,335	182,628



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

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

	2018 \$	2017 \$
ASSETS		
Cash held in trust (note 8)	291,712	316,260
Accounts receivable	77,525	75,864
Grant receivable (note 13)	19,300	174,800
Prepaid expenses	5,411	5,327
Current assets	393,948	572,251
Grant receivable (note 13)		19,300
Capital reserve investment (note 10)	58,335	182,628
Capital assets (note 3)	3,316,597	3,353,935
	3,768,880	4,128,114
LIABILITIES		
Bank advances (note 12)	17,741	82,022
Accounts payable and accrued liabilities (note 4)	268,069	133,116
Client trust deposits (note 8)	291,712	316,260
Deferred revenue	227,720	128,635
Deferred revenue, grant (note 13)	19,300	174,800
Long-term debt (note 9)	56,761	63,593
Current liabilities	881,303	898,426
Deferred contributions (notes 5 and 6)	2,152,357	2,195,183
Deferred revenue, grant (note 13)		19,300
Long-term debt (note 9)	817,187	873,947
	3,850,847	3,986,856
FUND BALANCES		
Capital reserve fund	58,335	182,628
General fund	(140,302)	(41,370)
	(81,967)	141,258
	3,768,880	4,128,114

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, 2018**

	2018 \$	2017 \$
Cash flows from operating activities:		
Deficiency of revenue over expenses for year	(224,696)	(277,179)
Item not involving cash:		
Amortization	78,542	77,920
Amortization of deferred contributions	(42,826)	(43,700)
	(188,980)	(242,959)
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(1,661)	28,657
Grant receivable	174,800	194,200
Prepaid expenses	(84)	19,287
Accounts payable and accrued liabilities	134,953	64,746
Deferred revenue	99,085	(30,643)
Deferred revenue, grant	(174,800)	(194,200)
	43,313	(160,912)
Cash flows from investment activities:		
Net additions to capital assets	(41,204)	(17,803)
Interest earned on capital reserve fund	1,471	11,975
	(39,733)	(5,828)
Cash flows from financing activities:		
Repayment of long-term debt	(63,592)	(71,090)
Net decrease in cash	(60,012)	(237,830)
Cash, beginning of year	100,606	338,436
Cash, end of year	40,594	100,606
Cash position includes:		
Cash (bank advances)	(17,741)	(82,022)
Capital reserve investment	58,335	182,628
	40,594	100,606



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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2018**

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, 2018

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.

	2018	2017
	\$	\$
3. Capital Assets		
Cost		
Land and improvements	457,075	457,075
Building	3,568,824	3,568,824
Furniture and equipment	253,623	212,419
	4,279,522	4,238,318
Accumulated amortization		
Building	819,650	763,544
Furniture and equipment	143,275	120,839
	962,925	884,383
Net Book Value	3,316,597	3,353,935

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, 2018**

5. Deferred Contributions Related to Capital Assets

Deferred contributions, amounting to \$2,152,357, 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 \$42,826 were taken into income during the year ended December 31, 2018.

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 lease agreement at a monthly cost of \$2,400 from May 1, 2018 - April 30, 2019.

The Organization leases a women's facility on Griffiths Avenue, Cambridge, Ontario for Ancora House under a three year lease agreement at monthly costs of \$1,600 from February 5, 2016 - February 5, 2018 and \$1,628 from March 5, 2018 - February 5, 2019. Subsequent to year end the lease was extended until March 4, 2019 at a monthly cost of \$1,628.

During 2019, the Organization ceased operation of its addictions programs, including closure of the men's Saginaw House and women's Ancora House addiction rehabilitation homes, and closure of the Simcoe House addictions counselling facility.

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, 2018**

	2018 \$	2017 \$
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.	2,603	14,125
Mortgage from Bank of Montreal, bearing interest at 3.97% per annum, with blended monthly payments of \$7,291, maturing August 2021.	871,345	923,415
	873,948	937,540
Current portion	56,761	63,593
	817,187	873,947

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

	\$
2019	56,761
2020	56,329
2021	760,858
	873,948

10. Capital Reserve Fund

The capital reserve fund is to be used for the future replacement costs of the building. During the year the Board approved transfers of \$125,764 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, accounts payable and accrued liabilities and long-term debt.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2018**

11. Financial Instruments (Continued)

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 \$150,000 with interest at prime plus 2% per annum, which is secured by a general security agreement. The bank advances balance at December 31, 2018 consists of bank advances of \$56,368 plus outstanding items of \$38,627.

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:

	\$
2019	19,300



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2018**

13. Grant Receivable (Continued)

Subsequent to year end, the expenses incurred in relation to this funding exceeded the remaining grant funds available prior to the Organization discontinuing its addictions programs (note 7). The Organization received the full remaining grant balance in June 2019.

14. Comparative Figures

Comparative figures have, in some instances, been reclassified in order to present them in a form comparable to those for the current year.

15. 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.

16. Subsequent Events

Commencing June 1, 2019 the Organization is obligated to contribute to a pension fund as per the Collective Agreement which came into effect on November 14, 2018, at a rate of 2% of the gross pay for all hours worked by employees covered under the Collective Agreement.

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.

