

Kenora Fellowship Centre
Financial Statements
For the year ended December 31, 2013

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Independent Auditor's Report

To the Board of Directors of Kenora Fellowship Centre

We have audited the accompanying financial statements of Kenora Fellowship Centre, which comprise the statement of financial position as at December 31, 2013 and the statement of operations and the statement of 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 generally accepted accounting principles 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.

Auditor's 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 for not-for-profit organizations. 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 not-for-profit organizations, the Kenora Fellowship Centre derives revenue from donations and 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 donation and fundraising revenue, excess of revenue over expenses (expenses over revenue), and cash flows from operations for the years ended December 31, 2013 and 2012, current assets as at December 31, 2013 and 2012 and net assets as at January 1 and December 31 for both the 2013 and 2012 years. Our audit opinion on the financial statements for the year ended December 31, 2012 was modified accordingly because of the possible effects of this limitation in scope.

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 the Kenora Fellowship Centre as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

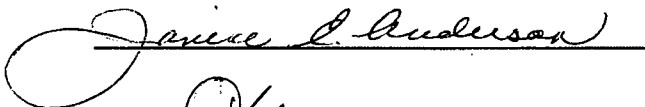
Kenora, Ontario

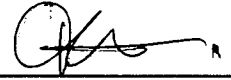
April 23, 2014

**Kenora Fellowship Centre
Statement of Financial Position**

| December 31 | 2013 | 2012 |
|---|------------|------------|
| Assets | | |
| Current | | |
| Cash | \$ 101,071 | \$ 46,811 |
| Accounts receivable (Note 2) | 16,285 | 25,524 |
| | 117,356 | 72,335 |
| Long term investments (Note 3) | 94,088 | 210,423 |
| | \$ 211,444 | \$ 282,758 |
| Liabilities and Net Assets | | |
| Current | | |
| Accounts payable (Note 4) | \$ 17,297 | \$ 31,163 |
| Deferred revenue (Note 5) | - | 1,600 |
| | 17,297 | 32,763 |
| Net Assets | | |
| Internally restricted - Munro Fund (Note 6) | 100,000 | 200,000 |
| Unrestricted | 94,147 | 49,995 |
| | 194,147 | 249,995 |
| | \$ 211,444 | \$ 282,758 |

On behalf of the Board:


 _____ Director


 _____ Director

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

Kenora Fellowship Centre
Statement of Operations

| For the year ended December 31 | 2013 | 2012 |
|---|-------------------|-------------------|
| Revenue | | |
| Kenora District Services Board | | |
| Community Homelessness Prevention Initiative (CHPI) | \$ 115,500 | \$ 74,763 |
| Community Homelessness Prevention Program (CHPP) | 7,500 | 15,000 |
| Room and board - ODSB | 47,887 | 54,422 |
| Donations | 107,383 | 44,365 |
| Investment income | 9,258 | 12,667 |
| Presbyterian Church in Canada | | |
| Operating | 55,504 | 59,041 |
| Healing and Reconciliation | 15,000 | - |
| Other | 5,312 | 17,865 |
| Rental | 18,855 | 25,890 |
| Ontario Trillium Foundation | - | 50,000 |
| Other Grants and fundraising | 10,970 | 17,511 |
| Northern Ontario Heritage Fund Corporation | 8,686 | 24,148 |
| Sprott Foundation | - | 40,000 |
| Miscellaneous | 225 | 2,578 |
| | <u>402,080</u> | <u>438,250</u> |
| Expense | | |
| Accommodations | 760 | 1,180 |
| Advertising | 135 | 377 |
| Bank charges and interest | 883 | 888 |
| Honorarium | 230 | 250 |
| Insurance | 1,405 | 1,405 |
| Kenora Fellowship Centre | | |
| Miscellaneous | - | 1,842 |
| Repairs and maintenance | 19,774 | 8,930 |
| Supplies | 11,712 | 5,863 |
| Telephone and utilities | 13,768 | 13,074 |
| Manse | | |
| Repairs and maintenance | 1,163 | 395 |
| Supplies | 2,421 | 2,303 |
| Telephone and utilities | 4,929 | 3,139 |
| Office and miscellaneous | 8,502 | 5,698 |
| Professional fees | 9,271 | 7,458 |
| Shelter program supplies | 26,446 | 20,382 |
| Step up program | 3,005 | 3,620 |
| Supplies | 8,152 | 7,970 |
| Transportation | 3,060 | 3,711 |
| Travel | 3,467 | 2,544 |
| Wages and benefits | 338,845 | 374,202 |
| | <u>457,928</u> | <u>465,231</u> |
| Excess of revenue over expense (expense over revenue) for the year | (55,848) | (26,981) |
| Net Assets, beginning of year | 249,995 | 276,976 |
| Net Assets, end of year | \$ 194,147 | \$ 249,995 |

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

Kenora Fellowship Centre
Statement of Cash Flows

| For the year ended December 31 | 2013 | 2012 |
|--|-------------------|------------------|
| Cash flows from operating activities | | |
| Excess of revenue over expense (expense over revenue) for the year | \$ (55,848) | \$ (26,981) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 9,239 | (10,152) |
| Accounts payable | (13,866) | 1,498 |
| Deferred revenue | (1,600) | (7,500) |
| | (62,075) | (43,135) |
| Cash flows from financing activities | | |
| Reduction in long term investments | 116,335 | 48,282 |
| | | |
| Increase in cash during the year | 54,260 | 5,147 |
| Cash, beginning of year | 46,811 | 41,664 |
| Cash, end of year | \$ 101,071 | \$ 46,811 |

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

December 31, 2013

1. Nature of Operations and Summary of Significant Accounting Policies

| | |
|------------------------------|--|
| Nature of Operations | Kenora Fellowship Centre is a non-incorporated non-profit organization operating in the City of Kenora. The organization is a mission of the Presbyterian Church in Canada dedicated to providing a primary destination for those in need of food and clothing and for building relationships with dignity and respect. The organization is a Registered Charity and is exempt from income taxes. |
| Basis of Accounting | The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. |
| Capital Assets | Capital assets are expensed to the statement of operations in the year of acquisition. Further, their historical cost and accumulated amortization are not recorded on the statement of financial position. |
| Revenue Recognition | <p>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.</p> <p>Donations are recorded as they are received.</p> <p>Rental and shelter program revenues are recorded on a monthly basis based on occupancy.</p> |
| Use of Estimates | The preparation of financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. |
| Financial Instruments | Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives if any, are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. |

Kenora Fellowship Centre
Notes to Financial Statements

December 31, 2013

2. Accounts Receivable

| | 2013 | 2012 |
|--|-----------|-----------|
| Per diems and room and board | \$ - | \$ 5,826 |
| Northern Ontario Heritage Fund Corporation | 6,487 | 5,119 |
| KDSB | - | 7,500 |
| Goods and Services/Harmonized Sales Tax | 6,649 | 5,235 |
| Other | 3,149 | 1,844 |
| | \$ 16,285 | \$ 25,524 |

3. Long Term Investments

| | 2013 | 2012 |
|---|-----------|------------|
| Guaranteed Investment Certificates | \$ 20,000 | \$ 40,000 |
| Presbyterian Church in Canada, investment in the consolidated portfolio | 74,088 | 170,423 |
| | \$ 94,088 | \$ 210,423 |

The guaranteed investment certificate bears interest at 3.5% and matures in 2015. The Presbyterian Church in Canada Consolidated Portfolio is comprised of Canadian equities (23.7%), foreign equities (26.8%), fixed income (44.8%) and short term deposits (4.7%).

4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$7,018 (2012 - \$5,946).

5. Deferred Revenue

| | 2013 | 2012 |
|-------|------|----------|
| Other | \$ - | \$ 1,600 |
| | \$ - | \$ 1,600 |

6. Internally Restricted Net Assets

The internally restricted net assets of \$200,000 represent funds originally received from an Estate which have been internally restricted by the Board with the intention that the principal be maintained intact. During the year, the board made a motion to unrestrict net assets of \$100,000 in order to increase the cash position of the organization.

December 31, 2013

7. Economic Dependence

The organization receives the majority of its revenue from government sources. Should this funding cease, the organization would have to find other sources of funding or discontinue operations.

8. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of its short term deposits invested in guaranteed investment certificates and its consolidated investment equity portfolio.

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 organization is also exposed to credit risk arising from its accounts and contributions receivable. Credit risk is the risk that the counterparty to the transaction will not pay. The majority of the organization's receivables are from government sources and the organization works to ensure they meet all eligibility criteria in order to qualify to receive the funding.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operations liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable.

Market Risk

The organization is exposed to fluctuations in equity markets. The Presbyterian Church in Canada Consolidated Portfolio investment is comprised of 50.5% in equity investments.

Foreign Currency Risk

The organization has some exposure to foreign currency risk, as approximately 27% of the Presbyterian Church in Canada Consolidated investment portfolio is invested in foreign markets.