

**LAKESHORE COMMUNITY OUTREACH CENTRE INC.
(OPERATING AS THE COMPASS)**

Financial Statements
December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Members of Lakeshore Community Outreach Centre Inc.:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Lakeshore Community Outreach Centre Inc. ("the Organization"), which comprise the statement of financial position as at December 31, 2019, and the statement of operations, changes in net assets 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, 2019, 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 (ASNPO).

Basis for Qualified Opinion

In common with many charitable organizations, Lakeshore Community Outreach Centre Inc. derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of Lakeshore Community Outreach Centre Inc. and we were not able to determine whether any adjustments might be necessary for recorded donations or fundraising revenues, the excess of revenues over expenditures, cash flows from operating activities for the years ended December 31, 2019 and December 31, 2018, current assets as at December 31, 2019 and December 31, 2018 and net assets as at January 1 and December 31 for 2018 and 2019. Consequently we expressed a qualified audit opinion on the financial statements for the year ended December 31, 2019, because of the possible effect of this scope limitation.

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 ASNPO, 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.

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 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

H. P. S. Valdes-Groves, FCPA, CPA

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
March 26, 2020

LAKESHORE COMMUNITY OUTREACH CENTRE INC.

BALANCE SHEET
December 31, 2019

	Notes	2019	2018
ASSETS			
CURRENT			
Cash		\$ 224,228	\$ 195,304
Guaranteed investment certificates	2	160,000	50,000
Harmonized sales tax rebate		10,131	12,527
Interest receivable		893	-
Advances and deposits		10,002	12,447
		405,254	270,278
CAPITAL ASSETS			
	3	2,393	-
		\$ 407,647	\$ 270,278
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 4,612	\$ 4,409
Deferred revenue	4	11,450	-
		16,062	4,409
COMMITMENTS			
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NET ASSETS			
Operating fund		270,440	144,724
Internally restricted fund		121,145	121,145
		391,585	265,869
		\$ 407,647	\$ 270,278

Approved by the Board:

.....*Dana McKernan*..... Director

.....*Chris*..... Director

LAKESHORE COMMUNITY OUTREACH CENTRE INC.

STATEMENT OF CHANGES IN NET ASSETS
For the year ended ended December 31, 2019

	Operating fund	Internally restricted fund	Total 2019	Total 2018
BALANCE, beginning of year	\$ 144,724	\$ 121,145	\$ 265,869	\$ 304,611
Excess (deficiency) of revenue over expenditures	125,716	-	125,716	(38,742)
BALANCE, end of year	\$ 270,440	\$ 121,145	\$ 391,585	\$ 265,869

LAKESHORE COMMUNITY OUTREACH CENTRE INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2019

	Notes	2019	2018
REVENUE			
Donations from individuals and organizations	6	\$ 391,387	\$ 282,726
Contributions by supporting churches		93,614	98,487
Fund-raising events		77,414	81,555
Grants	4	23,478	19,082
Property tax rebates and other		7,623	3,622
Investment income		1,318	400
		<u>594,834</u>	<u>485,872</u>
EXPENDITURES			
Food and supplies for clients		150,579	129,372
Occupancy		134,515	104,258
Staff compensation and benefits		108,238	98,528
Client programs		48,175	21,709
Administration		20,901	27,319
Fundraising expenses		2,808	7,933
Professional fees		1,900	2,900
Publicity		1,736	3,327
Amortization		266	-
		<u>469,118</u>	<u>395,346</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE UNDERNOTED ITEMS		125,716	90,526
CAPITAL ASSET EXPENDITURES			
Capital asset expense	3	-	1,900
Building improvements	3	-	127,368
		-	<u>(129,268)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR		\$ 125,716	\$ (38,742)

See accompanying notes

LAKESHORE COMMUNITY OUTREACH CENTRE INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ 125,716	\$ (38,742)
Amortization	266	-
	125,982	(38,742)
Net change in non-cash working capital items:		
Harmonized sales tax rebate	2,396	1,894
Interest receivable	(893)	-
Accounts payable and accrued liabilities	203	118
Advances and deposits	2,445	(1,409)
Deferred revenue	11,450	(5,000)
	141,583	(43,139)
INVESTING ACTIVITIES		
Purchase of capital assets	(2,659)	-
Guaranteed investment certificates	(110,000)	-
	(112,659)	-
INCREASE (DECREASE) IN CASH	28,924	(43,139)
CASH, beginning of year	195,304	238,443
CASH, end of year	\$ 224,228	\$ 195,304

See accompanying notes

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LAKESHORE COMMUNITY OUTREACH CENTRE INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

DESCRIPTION OF BUSINESS

Lakeshore Community Outreach Centre Inc., is a not-for-profit organization (hereinafter, "the Organization") incorporated without share capital under the Ontario corporations act. The Organization is a registered charitable organization under the Income Tax Act and is exempt from income taxes.

The mission of the Organization is to help people in southern Mississauga who are experiencing economic, social or emotional challenges. The Organization assists in the relief of poverty by providing food and other basic supplies to persons in need, conducts varied programs for them and serves as a venue for fellowship, encouragement and support.

1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) and include the following significant accounting policies:

Use of estimates

The preparation of the Organization's financial statements in conformity with Canadian accounting standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the period they become known. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

LAKESHORE COMMUNITY OUTREACH CENTRE INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

1 **SIGNIFICANT ACCOUNTING POLICIES continued** **Fund accounting**

The Organization follows the restricted fund method of accounting and the financial statements include the following funds:

Internally Restricted Fund

The board of directors have established an internally restricted fund as a contingency to sustain current services to clients and capital expenditures. Additions and expenditures from this internally restricted fund must be approved by the board of directors.

Unrestricted Operating Fund

The unrestricted operating fund accounts for the Organization's general operations and activities. The fund reports unrestricted resources.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

Gifts in kind, other than donated food, are recorded as revenue at their estimated fair value when distributed or used by the Organization.

Government grants pertinent to specific projects are recognized as revenue as the related project expenses are incurred.

Food Inventory

The Organization receives food donations and also purchases food inventory. As it is distributed at no charge, no inventory value has been recorded on the financial statements for food on hand at year end.

LAKESHORE COMMUNITY OUTREACH CENTRE INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

1 SIGNIFICANT ACCOUNTING POLICIES continued

Capital assets

The Organization's revenues exceeded \$500,000 which prompted a change in policy regarding capital assets in accordance with ASPNO. They are no longer expensed in the year they are incurred. Current and future acquisitions will be restated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following annual rates:

Equipment and furniture	20% declining balance
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Contributed services

Volunteers contribute many hours each year in carrying out the Organization's activities. Accomplishing the Organization's objectives would not be possible without their dedication. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the period they become known. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, guaranteed investment certificates and harmonized sales tax rebate.

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

LAKESHORE COMMUNITY OUTREACH CENTRE INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

2 GUARANTEED INVESTMENT CERTIFICATES

Short term investments are comprised of cashable guaranteed investment certificates maturing January 2021 through December 2022, bearing interest rates of 0.65% to 2.00%. Market value approximates carrying value.

One of the guaranteed investment certificates for the value of \$10,000 is held as a guarantee against the limit of the credit card of the same amount. The current amount of the credit card liability is \$1,715.

3 CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2019	2018
Furniture and fixtures	\$ 2,659	\$ 266	\$ 2,393	\$ -

The capital assets expensed in the prior year totaled \$129,268, and were comprised of leasehold improvements, furniture and equipment and software.

4 GRANTS

Grants are recognized as income in the period necessary to match them with the related costs, for which they are intended to cover. The amount of grants received during the year was \$34,928 (2018 - \$19,082), of this amount \$11,450 (2018 - \$nil) has been deferred to next year.

5 COMMITMENTS

The Organization is committed under an operating lease for leased premises in the following amounts:

2020	\$ 85,992
2021	64,494
	<hr/>
	\$ 150,486

6 DONATIONS FROM INDIVIDUALS AND ORGANIZATIONS

Donations received are recorded as income over the period necessary to match them with the related cost, for which they intended to compensate, on a systematic basis. The total amount of donations received for the year was \$391,387 (2018 - \$282,726).

LAKESHORE COMMUNITY OUTREACH CENTRE INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

7 FINANCIAL INSTRUMENTS

Risks and concentrations

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assist users of financial statements in assessing the extent of risk related to financial instruments.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market.

Interest rate risk

The Organization is exposed to interest rate risk. Interest rate risk is the risk that the Organization has interest rate exposure on its guaranteed investment certificates. This exposure may have an effect on its earnings in future periods. The Organization reduces its exposure to interest rate risk by managing its guaranteed investment certificates to ensure funds are available when needed. The investment policy is primarily directed to reduce risk and interest earned is of secondary importance. In the opinion of management the interest rate risk exposure to the Organization is low. The risk is unchanged from the prior year.