

**East Wellington Community
Services Inc.
Financial Statements
For the Year Ended March 31, 2023**

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Financial Statements
For the Year Ended March 31, 2023

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Independent Auditor's Report

To the Board of Directors of East Wellington Community Services Inc.

Qualified Opinion

We have audited the financial statements of East Wellington Community Services Inc. (the Organization), which comprise the balance sheet as at March 31, 2023, the statements 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 possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023, and its results of operations 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, memberships 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 unable to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, and cash flows from operations as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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.



Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

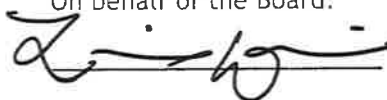
Guelph, Ontario
July 13, 2023

**East Wellington Community Services Inc.
Statement of Financial Position**

March 31	2023	2022
Assets		
Current		
Cash (Note 2)	\$ 3,617	\$ -
Short-term investments (Note 3)	527,022	660,000
Accounts receivable	66,276	61,229
Prepaid expenses	66,921	83,495
	663,836	804,724
Long-term investments (Note 3)	-	75,000
Capital assets (Note 4)	262,106	241,015
	\$ 925,942	\$ 1,120,739

Liabilities and Net Assets

Current		
Bank indebtedness (Note 2)	\$ -	\$ 69,319
Accounts payable and accrued liabilities	156,067	168,458
Deferred revenue (Note 6)	195,577	295,429
Current portion of Canada Emergency Business Account Loan (Note 7)	26,000	-
	377,644	533,206
Canada Emergency Business Account Loan (Note 7)	-	40,000
Deferred contributions related to capital assets	117,459	86,397
	495,103	659,603
Net Assets		
Net assets invested in capital assets	144,647	154,618
Unrestricted net assets	286,192	306,518
	430,839	461,136
	\$ 925,942	\$ 1,120,739

On behalf of the Board:
 Director

 Director

East Wellington Community Services Inc.
Statement of Changes in Net Assets

Balance, beginning of the year	\$ 154,618	\$ 306,518	\$ 461,136	\$ 439,224
Net earnings (deficiency) for the year	(21,129)	(9,168)	(30,297)	21,912
Investment in capital assets	11,158	(11,158)	-	-
Balance, end of the year	\$ 144,647	\$ 286,192	\$ 430,839	\$ 461,136

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

East Wellington Community Services Inc.
Statement of Operations

For the year ended March 31	2023	2022
Revenue (page 13)	\$ 1,266,428	\$ 1,148,064
Expenses		
Advertising	1,885	4,114
Amortization	43,979	40,271
Bank charges	9,381	8,047
Fundraising costs	17,918	7,688
Insurance	27,114	24,036
Memberships	3,364	2,472
Occupancy costs	65,239	68,882
Office supplies, printing and stationery	18,771	17,423
Professional and consulting fees	27,854	18,533
Program supplies and associated costs	49,468	55,215
Property taxes	4,588	4,860
Salaries and employment benefits	970,661	829,154
Staff training and workshops	3,342	1,204
Telephone and communications	16,538	15,719
Transportation	41,102	32,236
	1,301,204	1,129,854
Excess (deficiency) of revenues over expenses from operations	(34,776)	18,210
Other revenue		
Investment income	4,479	3,702
Excess (deficiency) of revenue over expenses	\$ (30,297)	\$ 21,912

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

East Wellington Community Services Inc.
Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ (30,297)	\$ 21,912
Items not affecting cash:		
Amortization	43,979	40,271
	<u>13,682</u>	62,183
Changes in non-cash working capital:		
Accounts receivable	(5,047)	(32,349)
Prepaid expenses	16,574	(23,519)
Accounts payable and accrued liabilities	(12,391)	91,738
Deferred revenue	(99,852)	(142,884)
Deferred contributions related to capital assets	31,062	(15,233)
	<u>(55,972)</u>	(60,064)
Cash flows from investing activities		
Purchase of capital assets	(65,070)	(24,593)
Proceeds on disposal of investments	207,978	-
Purchase of investments	-	(10,000)
	<u>142,908</u>	(34,593)
Cash flows from financing activities		
Repayment of long-term debt	(14,000)	-
Net increase (decrease) in cash	72,936	(94,657)
Cash (bank indebtedness), beginning of the year	(69,319)	25,338
Cash (bank indebtedness), end of the year	\$ 3,617	\$ (69,319)

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

East Wellington Community Services Inc.

Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies

Nature of Operations East Wellington Community Services Inc. (the "Organization") is a registered charity incorporated without share capital under the provisions of the Ontario Business Corporations Act, and accordingly, is not subject to income taxes. Its objective is to provide services to the citizens of the East Wellington area.

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Capital Assets Capital assets are recorded at cost. The building purchase was recorded at cost. Construction costs and renovations costs have been capitalized less any direct subsidies or grants, as part of the building cost. Furniture and fixtures, computer equipment and vehicles greater than \$1,000 are capitalized. In the year of acquisition, assets (with the exception of vehicles) are amortized at one-half the normal rate. Amortization is provided using the following methods and annual rates:

	Method	Rate
Buildings	Straight-line	40 years
Vehicles	Straight-line	10 years
Computer equipment	Declining balance	30%
Furniture and fixtures	Declining balance	20%
Signs	Declining balance	20%

Revenue Recognition The Organization uses the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted revenues where expenses have not been incurred are recorded as deferred contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can reasonably be estimated and collection is reasonably assured.

Grants The Organization receives grants to assist in providing financial support for eligible programs. These grants are reflected as deferred revenue until the terms of the grant are met. At that time, the grants are recorded as revenue in the statement of operations.

Expenses Expenses are recorded as incurred. Allocations to funds is based on budget negotiations and the Chief Executive Officer's discretion to reallocate expenses.

East Wellington Community Services Inc. Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Contributed Materials and Services Contributed services for the purposes of carrying out the Organization's programs are not recognized in the financial statements due to the difficulty in determining their fair value. Contributed materials and services not related to programs specifically are recognized at their fair value if material.

Use of Estimates 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Financial Instruments Financial instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

2. Cash and Bank Indebtedness

The Organization's bank accounts are held with one chartered bank.

The Organization has access to a \$75,000 line of credit facility, bearing interest at RBC Prime Rate + 4.43% per annum. As at year-end, the Organization has drawn \$NIL (2022 - \$59,500) on this facility.

East Wellington Community Services Inc. Notes to Financial Statements

March 31, 2023

3. Investments

Investments are comprised of various guaranteed investment certificates. The guaranteed investment certificates earn interest at fixed rates from 0.30% to 3.25% (2022 - 0.30% to 0.60%) and have maturity dates of April 2023 to January 2024 (2022 - April 2022 to April 2023).

4. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 256,185	\$ 130,576	\$ 256,185	\$ 124,171
Computer equipment	128,078	115,281	128,078	109,389
Furniture and fixtures	137,807	105,272	137,807	97,792
Signs	25,734	20,091	25,734	18,104
Vehicles	284,181	198,659	219,110	176,443
	831,985	569,879	766,914	525,899
		\$ 262,106		\$ 241,015

5. Capital Disclosure

The Organization's objective when managing its capital is to safeguard the Organization's ability to continue as a going concern so that it can continue to provide ongoing development and co-ordination of a community social service system.

The Organization manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Organization may obtain financing or increase or decrease funding to various agencies.

The Organization does not have any externally imposed capital requirements, and has not made any changes with respect to its overall capital management strategy during the year ended March 31, 2023.

East Wellington Community Services Inc. Notes to Financial Statements

March 31, 2023

6. Deferred Revenue

Deferred revenue represents unspent resources externally restricted for the purposes of various programs. These amounts will be recognized as revenue in the period in which the related expenses are incurred.

	Opening Balance	Contribution	Recognized in Revenue	March 31, 2023
Aqueduct - New Bus	-	25,000	-	25,000
Guelph Community Foundation	12,501	-	4,831	7,670
Main Place Optimists	267,871	-	120,000	147,871
Other	4,082	4,069	4,090	4,061
Wellington County CHPI Grant	4,725	6,300	6,300	4,725
Wellington County Transportation	6,250	25,000	25,000	6,250
	\$ 295,429	\$ 60,369	\$ 160,221	\$ 195,577

7. Canada Emergency Business Account Loan

In a prior year, the Organization received \$60,000 in financial assistance from the Canada Emergency Business Account (CEBA) loan program. Of the \$60,000 loan received, \$20,000 of this amount is forgivable if the remaining \$40,000 is repaid prior to December 31, 2023. The forgivable portion of the loan was included in revenue in a prior year. If the Organization does not repay the \$40,000 by December 31, 2023, the \$20,000 forgivable portion will be repayable and accounted for as a financial liability.

If any part of the balance is not paid by December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 1, 2024. The full balance must be repaid by no later than December 31, 2025.

During the year, \$14,000 in repayments were made on the loan.

East Wellington Community Services Inc. Notes to Financial Statements

March 31, 2023

8. Commitments

The Organization's total obligations under various operating leases for space and office equipment, are as follows:

2024	\$ 42,948
2025	41,448
2026	10,948
2027	<u>553</u>
	<u>\$ 95,897</u>

9. Contingencies

The Organization has been named as the recipient of a donation in an individual's will. The organization expects to receive this donation upon the settlement of the individual's estate. An estimate of the amount receivable cannot be made at this time, as it is dependant on the value of the estate upon settlement.

10. Financial Instruments

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 exposed to normal credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable. This risk has decreased from the prior year, as the impact of COVID-19 has subsided.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational 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. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, long-term debt and commitments. This risk has decreased from the prior year, as the impact of COVID-19 has subsided.

East Wellington Community Services Inc.
Notes to Financial Statements

March 31, 2023

10. Financial Instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate based on changes in market interest rates. The Organization is exposed to interest rate risk in relation to interest expense on its line of credit facility since the credit facility bears interest at a floating interest rate. This risk has decreased from the prior year as the Organization has not accessed the line of credit facility as at March 31, 2023.

11. Comparative Information

\$113,032 of expenses were reclassified from salaries and employment benefits to net against the related reimbursements recorded in Canadian Mental Health Association Waterloo Wellington revenue in the prior year comparative amounts.

**East Wellington Community Services Inc.
Schedule of Revenue**

For the year ended March 31	2023	2022
Canadian Mental Health Association Waterloo Wellington	\$ 95,169	\$ 75,060
Deferred capital asset revenue	22,850	23,973
Fundraising, events and general donations	330,868	295,668
HRSDC - Summer Student Program	10,597	8,673
Main Place Optimist	120,000	122,675
Memberships	90	110
Ontario Ministry of Health	364,817	336,021
Other grants	74,113	38,170
Rent subsidy program	16,800	16,800
Rental revenue	5,089	2,189
Retail sales	58,002	37,666
Seniors' program income	34,013	23,315
Township of Guelph Eramosa	16,000	15,000
United Way Community Services of Guelph & Wellington	67,500	104,203
Wellington County	50,520	48,541
	\$ 1,266,428	\$ 1,148,064
