

# OPEN ARMS MISSION OF WELLAND INC.

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Financial Statements  
December 31, 2018

## Independent Auditor's Report

To the Members of  
Open Arms Mission of Welland Inc.

### *Qualified Opinion*

We have audited the financial statements of Open Arms Mission of Welland Inc., which comprise the statement of financial position as at December 31, 2018, and the statements of income, 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 possible 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 Mission as at December 31, 2018, 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 (ASNPO).

### *Basis for Qualified Opinion*

As with many non-profit organizations, the Mission periodically derives revenue from donations, 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 Open Arms Mission Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the year ending December 31, 2018, current assets as at December 31, 2018 and fund balances at December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Mission 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 the 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 Mission'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 Mission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Mission'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:

**OPEN ARMS MISSION OF WELLAND INC.**  
**Statement of Financial Position**  
**As at December 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets	\$ 55,295	\$ 91,852
Cash	1,765	400
Accounts receivable	7,001	1,588
Prepaid expenses	14,432	5,208
HST receivable		
	<u>78,493</u>	<u>99,048</u>
Property and equipment (note 4)	<u>933,915</u>	<u>969,564</u>
	<u>\$ 1,012,408</u>	<u>\$ 1,068,612</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Current liabilities	\$ 54,644	\$ 31,949
Accounts payable and accrued liabilities (note 5)	26,726	28,280
Deferred donations	1,745	1,255
Deposits	10,094	10,094
Current portion of long-term debt (note 6)		
	<u>93,209</u>	<u>71,578</u>
Long-term debt (note 6)	<u>102,261</u>	<u>112,355</u>
	<u>195,470</u>	<u>183,933</u>
Fund balances	<u>816,938</u>	<u>884,679</u>
	<u>\$ 1,012,408</u>	<u>\$ 1,068,612</u>

On behalf of the Board

\_\_\_\_\_ Member

\_\_\_\_\_ Member

**Open Arms Mission of Welland Inc.**  
**Statement of Fund Balances**  
**Year ended December 31**

	General Fund	Redeemed Goods Fund	Forkes Rd. Fund	Investment in Capital Assets Fund	Total
<b><u>2017</u></b>					
Fund balance, beginning of year	\$ (258,294)	\$ 71,122	\$ 203,221	\$ 876,342	\$ 892,391
Revenue over expenses (expenses over revenue)	74,475	(3,505)	(32,124)	(46,558)	(7,712)
Fund transfers	(17,330)	-	-	17,330	-
Fund balance, end of year	(201,149)	67,617	171,097	847,114	884,679
<b><u>2018</u></b>					
Fund balance, beginning of year	(201,149)	67,617	171,097	847,114	884,679
Revenue over expenses (expenses over revenue)	76,307	(9,570)	(91,243)	(43,235)	(67,741)
Fund transfers	(17,680)	-	-	17,680	-
Fund balance, end of year	\$ (142,522)	\$ 58,047	\$ 79,854	\$ 821,559	\$ 816,938

Transfers made from the General Fund to the Investment in Capital Assets Fund are to fund capital asset purchases and re-pay long-term debt. These amounts are not available for any other purpose without approval by the Board of Directors.

**OPEN ARMS MISSION OF WELLAND INC.**  
**Notes to Financial Statements**  
**Year ended December 31, 2018**

**1. Nature of operations**

Open Arms Mission of Welland Inc. is incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act. Its principal activities include providing individuals with food, low cost clothing, supplies, job skills training and housing, as well as offering a place for spiritual prayer.

**2. Basis of presentation**

The Mission has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations.

**3. Summary of significant accounting policies**

Fund accounting

The Mission follows the deferral method of accounting for contributions and the financial statements have been prepared on an accrual basis. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

The General Fund reports the revenues and expenses related to administrative activities as well as the activities of the Mission Centre.

Redeemed Goods Fund reports the revenue and expenses related to the Redeemed Goods store.

Forkes Rd. Enterprises Fund report the revenue and expenses related to the warehouse location.

Investment in Capital Assets consists of the net book value of property and equipment less loans payable related to these assets.

Revenue recognition

Restricted contributions and miscellaneous fundraising revenue are recognized 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.

Sales from the Redeemed Goods store and Forkes Rd. warehouse are recognized as revenue at the time of sale when payment is received.

Rental income from the apartment buildings is recognized as revenue monthly as it becomes due.

Deferred donations represents funds that were contributed by an arm's-length third party which specify how the funds must be used. The General, Redeemed Goods and Forkes Rd. Enterprises Fund have no such restrictions.

**OPEN ARMS MISSION OF WELLAND INC.**  
**Notes to Financial Statements**  
**Year ended December 31, 2018**

**3. Summary of significant accounting policies — continued**

Accounting estimates

The preparation of financial statements in accordance 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant estimates and assumptions are used when accounting for items such as impairment of long lived assets, determination of useful lives of property and equipment, revenue recognition, contingent liabilities and allowances for doubtful accounts.

**4. Property and equipment**

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 180,000	\$ -	\$ 180,000	\$ -
Buildings	1,072,934	382,278	1,072,934	353,501
Vehicles	60,030	45,624	71,581	61,184
Paving	18,087	7,344	18,087	6,410
Furniture and fixtures	121,921	83,811	128,976	80,919
	<u>1,452,972</u>	<u>519,057</u>	<u>1,471,578</u>	<u>502,014</u>
Net book value	<u>\$ 933,915</u>		<u>\$ 969,564</u>	

**5. Accounts payable and accrued liabilities**

	2018	2017
Trade payables	\$ 7,695	\$ 3,973
Accrued liabilities	38,741	22,259
Government remittances	8,208	5,717
	<u>\$ 54,644</u>	<u>\$ 31,949</u>