

OPEN ARMS MISSION OF WELLAND INC.

Financial Statements
December 31, 2021

OPEN ARMS MISSION OF WELLAND INC.

Financial Statements

Year ended December 31, 2021

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Income	4
Statement of Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11

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. ("Mission"), which comprise the statement of financial position as at December 31, 2021, 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 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, 2021, 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

In common with many not-for-profit organizations, the Mission 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 the Mission. Therefore, we were not able to determine whether any adjustments might be necessary to donated revenues, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and funds balances as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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.

Independent Auditor's Report — continued

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 Mission'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 Mission'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 Mission 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.

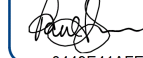
Root Bissonnette Walker LLP

Root Bissonnette Walker LLP
Licensed Public Accountants
Fonthill, Ontario
March 22, 2022

OPEN ARMS MISSION OF WELLAND INC.
Statement of Financial Position
As at December 31, 2021

	2021	2020
ASSETS		
Current assets		
Cash (note 4)	\$ 584,770	\$ 527,566
Accounts receivable	18,544	1,178
Inventory (of food on hand)	187,225	-
Prepaid expenses	2,686	4,269
HST rebate receivable	6,350	16,611
	<u>799,575</u>	549,624
Property and equipment (note 5)	<u>866,445</u>	839,940
	<u>\$ 1,666,020</u>	<u>\$ 1,389,564</u>
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 33,606	\$ 38,522
Deferred contributions	32,343	76,131
Deposits	1,280	1,280
Current portion of long-term debt (note 7)	-	6,320
	<u>67,229</u>	122,253
Long-term debt (note 7)	60,000	125,846
Deferred contributions, capital assets (note 8)	<u>60,265</u>	73,781
	187,494	321,880
Fund balances	<u>1,478,526</u>	1,067,684
	<u>\$ 1,666,020</u>	<u>\$ 1,389,564</u>

DocuSigned by:
 On Behalf of the Board



0449E41AF8FC447...

Member

DocuSigned by:



78DAE257A7574DF...

Member

OPEN ARMS MISSION OF WELLAND INC.**Statement of Income****Year ended December 31, 2021**

	General	Investment in Capital Assets	Total 2021	Total 2020
Revenue				
General donations	\$ 500,297	\$ -	\$ 500,297	\$ 353,902
Store sales	-	-	-	59,804
Gifts from other Charities	136,087	-	136,087	123,448
Miscellaneous income	124,754	13,516	138,270	114,300
Gifts in kind	1,016,726	-	1,016,726	225,149
Rental	71,043	-	71,043	48,040
	<u>1,848,907</u>	<u>13,516</u>	<u>1,862,423</u>	<u>924,643</u>
Expenses				
Advertising and promotion	10,930	-	10,930	2,802
Amortization	-	47,516	47,516	38,908
Banquet expenses	-	-	-	867
Food	854,131	-	854,131	243,351
Insurance	19,430	-	19,430	22,966
Interest and bank charges	9,743	-	9,743	7,516
Interest on long-term debt	-	-	-	4,625
Office	22,507	-	22,507	28,314
Other programs	2,768	-	2,768	1,261
Professional fees	27,950	-	27,950	13,304
Property taxes	16,971	-	16,971	15,447
Redeemed lives expense	-	-	-	452
Rental properties	16,986	-	16,986	20,213
Repairs and maintenance	29,388	-	29,388	26,692
Salaries and related benefits	314,809	-	314,809	346,328
Supplies	-	-	-	1,208
Telephone	7,034	-	7,034	5,485
Utilities	29,581	-	29,581	21,924
Vehicle	41,837	-	41,837	19,804
	<u>1,404,065</u>	<u>47,516</u>	<u>1,451,581</u>	<u>821,467</u>
	<u>444,842</u>	<u>(34,000)</u>	<u>410,842</u>	<u>103,176</u>
Other income				
Gain on sale of property and equipment	-	-	-	91,030
Revenue over expenses (expenses over revenue)	<u>\$ 444,842</u>	<u>\$ (34,000)</u>	<u>\$ 410,842</u>	<u>\$ 194,206</u>

Open Arms Mission of Welland Inc.
Statement of Fund Balances
Year ended December 31, 2021

	General Fund	Redeemed Goods Fund	Investment in Capital Assets Fund	Total
<u>2020</u>				
Fund balance, beginning of year	\$ (24,612)	\$ 89,609	\$ 808,481	\$ 873,478
Revenue over expenses (expenses over revenue)	138,927	(1,641)	56,920	194,206
Fund transfers	(91,526)	-	91,526	-
Fund balance, end of year	<u>\$ 22,789</u>	<u>\$ 87,968</u>	<u>\$ 956,927</u>	<u>\$ 1,067,684</u>
<u>2021</u>				
Fund balance, beginning of year	\$ 22,789	\$ 87,968	\$ 956,927	\$ 1,067,684
Revenue over expenses (expenses over revenue)	444,842	-	(34,000)	410,842
Fund transfers	(78,221)	(87,968)	166,189	-
	<u>\$ 389,410</u>	<u>\$ -</u>	<u>\$ 1,089,116</u>	<u>\$ 1,478,526</u>

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.

The operations of the Redeemed Goods store ceased in the prior year. The balance of the Redeemed Goods Fund has been transferred to the general fund in the current year, as approved by the Board of Directors.

OPEN ARMS MISSION OF WELLAND INC.**Statement of Cash Flows****Year ended December 31, 2021**

	2021	2020
Operating activities		
Revenue over expenses	\$ 410,842	\$ 194,206
Items not involving cash		
Amortization of property and equipment	47,516	38,908
Gain on sale of property and equipment	-	(91,030)
Amortization of deferred contributions, capital assets	(13,516)	(4,798)
	444,842	137,286
Net change in non-cash working capital items		
Accounts receivable	(17,366)	(1,178)
Inventory (of food on hand)	(187,225)	-
Prepaid expenses	1,583	2,664
HST receivable	10,261	(3,041)
Accounts payable and accrued liabilities	(4,915)	(1,693)
Deferred contributions	(43,788)	31,399
Deposits	-	(575)
Cash flows from operating activities	203,392	164,862
Investing activities		
Proceeds on property available for sale	-	282,935
Purchase of property and equipment	(74,022)	(81,431)
Cash flows from investing activities	(74,022)	201,504
Financing activities		
Advances of long-term debt	20,000	40,000
Repayment of long-term debt	(92,166)	(10,094)
Cash flows from financing activities	(72,166)	29,906
Net change in cash during the year	57,204	396,272
Cash, beginning of year	527,566	131,294
Cash, end of year	\$ 584,770	\$ 527,566

OPEN ARMS MISSION OF WELLAND INC.

Notes to Financial Statements Year ended December 31, 2021

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, 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.

Investment in Capital Assets consists of the internally restricted cash balance and the net book value of property and equipment less deferred contributions, capital assets.

Revenue recognition

Restricted contributions are recognized in the year in which the related expenses are incurred. Unrestricted contributions and miscellaneous fundraising are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed food products are recorded at a value of \$2.62 per pound based on the universal estimate utilized by Food Banks Canada. Contributed food products are recognized as revenues in the period in which they are received and are included in gifts in kind on the Statement of Income.

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

Deferred contributions represents funds that were contributed by arm's-length third parties which specify how the funds must be used. The amounts will be recognized as revenue in the year in which the contributions can be used.

Deferred contributions, capital assets represents funds that were contributed by arm's length third parties for the purpose of acquiring capital assets and are amortized on the same basis as the related capital assets.

Inventory (of food on hand)

Inventory (of food on hand) consists of food products measured at the lower of cost, being the amount recorded as contributions, and current replacement cost, and are recognized as an expense in the period in which they are distributed.

OPEN ARMS MISSION OF WELLAND INC.

Notes to Financial Statements
Year ended December 31, 2021

3. Summary of significant accounting policies — continued

Property and equipment

Property and equipment are recorded at cost. The Mission provides for amortization using the declining balance method at rates designed to amortize the cost of the property and equipment over their estimated useful lives. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Buildings	4%
Vehicles	30%
Paving	8%
Furniture and fixtures	20%
Computer software	50%
Assets under construction	0%

Property and equipment are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

Contributed services

Directors, committee members, program workers, management and staff volunteer their time to assist in the Mission's activities. While these services benefit the Mission considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

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 contributed materials, impairment of long lived assets, determination of useful lives of property and equipment, revenue recognition, contingent liabilities and allowances for doubtful accounts.

4. Restricted cash

Cash includes an internally restricted amount of \$282,934 (2020 - \$282,934) designated towards the future purchase of a new building.

Cash includes an externally restricted amount of \$32,381 (2020 - \$76,116) designated for food purchases.

OPEN ARMS MISSION OF WELLAND INC.Notes to Financial Statements
Year ended December 31, 2021**5. Property and equipment**

	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 140,000	\$ -	\$ 140,000	\$ -
Buildings	961,651	360,520	874,132	337,296
Vehicles	57,631	50,644	55,040	48,204
Paving	18,087	9,722	18,087	8,994
Furniture and fixtures	232,069	124,389	168,563	105,407
Computer software	5,809	3,527	5,531	1,383
Assets under construction	-	-	79,871	-
	<u>1,415,247</u>	<u>548,802</u>	<u>1,341,224</u>	<u>501,284</u>
Net book value	<u>\$ 866,445</u>		<u>\$ 839,940</u>	

6. Accounts payable and accrued liabilities

	2021	2020
Trade payables	\$ 6,582	\$ 14,354
Accrued liabilities	21,083	20,006
Government remittances	5,941	4,162
	<u>\$ 33,606</u>	<u>\$ 38,522</u>

7. Long-term debt

	2021	2020
Canada Emergency Business Account, non-interest bearing, no required repayments until December 31, 2023. If repaid by this time, \$20,000 of the loan will be forgiven.	\$ 60,000	\$ 40,000
Loan - repaid during the year	-	92,166
	<u>60,000</u>	<u>132,166</u>
Less: current portion	-	6,320
	<u>\$ 60,000</u>	<u>\$ 125,846</u>

OPEN ARMS MISSION OF WELLAND INC.

Notes to Financial Statements
Year ended December 31, 2021

8. Deferred contributions, capital assets

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 73,781	\$ 9,693
Additions during the year	-	68,886
Recognized as revenue during the year	<u>(13,516)</u>	<u>(4,798)</u>
Balance, end of year	<u>\$ 60,265</u>	<u>\$ 73,781</u>

9. Change in accounting policy

During the year, the Mission changed its fund accounting policy whereby the revenues and expenses of the Forkes Rd Enterprise Fund are to be reported in the General Fund, as both locations operated with the same general purpose. This change was approved by the Board of Directors and has been applied retrospectively. The effects of this change on the comparative information is as follows: an increase in the opening fund balance of the General Fund at January 1, 2020 of \$46,846, a decrease in revenue over expenses of the General Fund for the period ending December 31, 2020 of \$110,729, and a decrease in the General Fund balance at December 31, 2020 of \$63,883.

During the year, the Mission changed its revenue recognition and contributed materials and services accounting policy to record the estimated value of food items donated to the Mission. This has been applied prospectively in the current year as it is impractical to determine the effects prior to the date of change, and therefore no adjustments have been made to previous years.

10. Financial instruments risks and uncertainties

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

It is management's opinion that the Mission is not exposed to significant credit, currency, liquidity, interest rate or market risks.

11. Banking arrangements

The Mission has an authorized line of credit with Meridian Credit Union to a maximum of \$35,000, bearing interest at prime plus 2%. The line of credit is secured by a general security agreement; a collateral mortgage for \$1 million on the following properties: 933 Forkes Road, 22 Fifth Street and 20 Fifth Street, all in Welland, ON; assignment of rents and leases; and assignment of fire and liability insurance.

As at December 31, 2021, the balance of this line of credit is \$nil (2020 - \$nil)

12. COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies. Management is closely monitoring the situation. The overall effect of these events on the Mission and its operations are too uncertain to be estimated at this time as it is always evolving. The impacts will be accounted for when they are known and may be assessed.

OPEN ARMS MISSION OF WELLAND INC.
Notes to Financial Statements
Year ended December 31, 2021

13. Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.