

Souls Harbour Rescue Mission

Financial Statements

June 30, 2021

Souls Harbour Rescue Mission
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June 30, 2021

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A Member Firm of The AC Group of Independent Accounting Firms Limited

Independent Auditor's Report

To the Members of
Souls Harbour Rescue Mission

Qualified Opinion

We have audited the financial statements of Souls Harbour Rescue Mission, which comprise the statement of financial position as at June 30, 2021, and 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 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 Souls Harbour Rescue Mission as at June 30, 2021 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from 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 fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2021 and 2020, current assets as at June 30, 2021 and 2020, and net assets as at July 1 and June 30 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended June 30, 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 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 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.

Independent Auditor's Report, continued

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.

Independent Auditor's Report, continued

- ♦ 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.



Bedford, Nova Scotia
October 7, 2021

RGH Inc.
Chartered Professional Accountants, Licensed
Public Accountants

Souls Harbour Rescue Mission
Statement of Financial Position
June 30

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 874,985	\$ 896,809
Accounts receivable	-	56,204
Prepaid expenses	1,618	1,827
Government remittances receivable	60,031	34,967
	936,634	989,807
PROPERTY, PLANT AND EQUIPMENT (note 3)	4,837,206	1,349,904
DEFERRED LEASE COST (note 4)	-	228,938
	\$ 5,773,840	\$ 2,568,649
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 9,464	\$ 71,252
Canada Emergency Business Account (note 5)	40,000	40,000
Current portion of long-term debt	73,750	39,979
Current portion of capital lease obligation	2,386	9,540
	125,600	160,771
LONG-TERM DEBT (note 6)	2,906,131	578,506
CAPITAL LEASE OBLIGATION (note 7)	-	2,385
	3,031,731	741,662
SUBSEQUENT EVENTS (note 8)		
NET ASSETS	2,742,109	1,826,987
	\$ 5,773,840	\$ 2,568,649

On behalf of the Board


_____ Member


_____ Member

See accompanying notes to the financial statements

Souls Harbour Rescue Mission
Statement of Operations
Year ended June 30

	<u>2021</u>	<u>2020</u>
REVENUES		
General Donations	\$ 2,250,170	\$ 1,503,488
Mission Mart Revenue	1,457,733	923,544
Grant Revenue	147,000	134,017
	<u>3,854,903</u>	<u>2,561,049</u>
EXPENDITURES		
Wages and benefits (note 9)	1,326,249	752,621
Rent (note 4)	346,650	459,750
Advertising and promotion	296,565	295,076
Repairs and maintenance	289,364	38,128
Office and administration	122,511	66,527
Amortization	118,912	59,891
Interest on long-term debt	72,298	23,252
Property taxes	59,400	3,037
Utilities	42,163	55,638
Interest and bank charges	30,005	26,702
Professional fees	22,321	22,705
Insurance	15,343	14,183
Telephone and internet	9,298	9,094
Subscriptions, permits and licenses	7,034	8,154
Travel and automotive	5,961	8,120
	<u>2,764,074</u>	<u>1,842,878</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER ITEMS	<u>1,090,829</u>	<u>718,171</u>
OTHER EXPENSES (INCOME)		
Ministry	175,707	114,344
Rental income	-	(4,500)
	<u>175,707</u>	<u>109,844</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 915,122</u>	<u>\$ 608,327</u>

See accompanying notes to the financial statements

Souls Harbour Rescue Mission
Statement of Changes in Net Assets
Year ended June 30

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 1,826,987	\$ 1,218,660
Excess of revenues over expenditures	<u>915,122</u>	<u>608,327</u>
BALANCE, END OF YEAR	\$ 2,742,109	\$ 1,826,987

See accompanying notes to the financial statements

Souls Harbour Rescue Mission
Statement of Cash Flows
Year ended June 30

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 915,122	\$ 608,327
Adjustment for Amortization	<u>118,912</u>	<u>59,891</u>
	1,034,034	668,218
Change in non-cash working capital items		
Accounts receivable	56,204	(56,204)
Prepaid expenses	209	(5)
Government remittances receivable	(25,064)	23,817
Accounts payable and accrued liabilities	(61,789)	44,979
Canada Emergency Business Account	<u>-</u>	<u>40,000</u>
	1,003,594	720,805
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,606,214)	(178,170)
Deferred lease cost	<u>228,939</u>	<u>48,564</u>
	(3,377,275)	(129,606)
FINANCING ACTIVITIES		
Repayment of long-term debt	(652,804)	(184,644)
Proceeds of long-term debt	3,014,200	-
Repayment of capital lease obligation	<u>(9,539)</u>	<u>(9,541)</u>
	2,351,857	(194,185)
NET (DECREASE) INCREASE IN CASH	(21,824)	397,014
CASH, BEGINNING OF YEAR	<u>856,809</u>	<u>459,795</u>
CASH, END OF YEAR	<u>\$ 834,985</u>	<u>\$ 856,809</u>

See accompanying notes to the financial statements

1. Nature of operations

Souls Harbour Rescue Mission is a not-for-profit organization. The mission is aimed at providing food, shelter, and basic hygiene necessities to homeless and low income senior citizens in the Halifax area. Souls Harbour also rescues people from poverty, addiction and despair, by offering emergency help, such as food and clothing, life-changing programs, and the Gospel Message.

The mission is a registered charity and therefore exempt from tax under the Canadian Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows.

(a) Cash

Cash consists of balances with financial institutions.

(b) Deferred lease costs

Deferred lease costs are amortized on a straight-line basis over the term of the lease.

2. Significant accounting policies, continued

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost. The organization provides for amortization using the declining balance method at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates are as follows:

Buildings	4%
Equipment	20%
Computer equipment	50%
Computer software	50%
Signs	20%
Asset under capital lease	20%

(d) 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 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. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Externally restricted contributions for the purchase of property, plant and equipment that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired property, plant and equipment. Externally restricted contributions for the purchase of property, plant and equipment that will not be amortized are recognized as direct increases in net assets to the Investment in Capital Assets balance.

Revenue from sale of clothing is recognized when the goods are delivered, services are rendered, amounts become collectible, persuasive evidence of an arrangement exists and collection is reasonably assured.

(e) Donated material and services

Donated capital and investments are recorded in the financial statements at fair value on the date of the donation. Donated materials and services are not recorded because the fair market value is not readily determinable. With the exception of volunteer time, such material and services are not significant.

Souls Harbour Rescue Mission
Notes to the Financial Statements
June 30, 2021

2. Significant accounting policies, continued

3. Property, plant and equipment

	2021		2020	
	Cost	Accumulated amortization	Net	Net
Land	\$ 838,950	\$ -	\$ 838,950	\$ 309,600
Buildings	4,137,937	212,573	3,925,364	953,004
Equipment	73,015	43,603	29,412	34,830
Computer equipment	8,066	5,027	3,039	1,240
Computer software	7,978	7,073	905	1,811
Signs	40,017	16,967	23,050	28,812
	5,105,963	285,243	4,820,720	1,329,297
Asset under capital lease	28,621	12,135	16,486	20,607
	\$ 5,134,584	\$ 297,378	\$ 4,837,206	\$ 1,349,904

4. Deferred lease cost

	2021		2020	
Deferred lease cost	\$ -		\$ 228,938	

Deferred lease costs consists of \$25,000 and \$275,000 paid to Banc Holdings Inc. to be used towards the construction cost of the building, and are used as a reduction off of the lease payments from \$17 to \$15 per square foot of the leased premises. These costs are amortized on a straight-line basis over the term of the lease. The term of the lease is for a period of 10 years commencing on October 1, 2018. The organization has the option to purchase the property at any time during the lease term for \$2,930,000.

During the year the organization purchased the building for \$2,930,000.

Souls Harbour Rescue Mission
Notes to the Financial Statements
June 30, 2021

5. Canada Emergency Business Account

iNova Credit Union Canada Emergency Business Account. 0.00% interest and no payments until December 31, 2022. Beginning January 1, 2023, interest accrues at 5% per annum, payable monthly. Up to \$20,000 is forgivable if the balance of the loan is repaid on or before December 31, 2022. Loan must be repaid by December 31, 2025.

6. Long-term debt

	2021	2020
iNova Credit Union 4.00% loan, payable \$2,959 monthly including interest, due on demand	\$ -	\$ 347,238
iNova Credit Union 4.75% loan, payable \$2,334 monthly including interest, due on demand	-	271,247
Inova Credit Union 3.99% loan, payable \$2,518 monthly including interest, due on demand, secured by West Chezzetcook building (net book value \$587,020)	479,200	-
Atlantic Central 4.20% loan, payable \$13,611 monthly plus interest, secured by Susie Lake Crescent building (net book value \$2,484,300)	2,500,681	-
	2,979,881	618,485
Less current portion	73,750	39,979
Due beyond one year	\$ 2,906,131	\$ 578,506

The organization is required to meet a specified debt service coverage ratio of not less than 1.10:1 under its lending agreement and the financial institution requires postponement of advances.. The organization is in compliance with these covenants as of the balance sheet date

- (a) General security agreement to be registered under PPSA
- (b) Collateral mortgage registered on property located at 5568 Cunard Street, Halifax, Nova Scotia
- (c) Collateral mortgage registered on property located at 136 Pleasant Street, Bridgewater, Nova Scotia

Souls Harbour Rescue Mission
Notes to the Financial Statements
June 30, 2021

6. Long-term debt, continued

- (d) Collateral mortgage registered on property located at 130 King Street, Truro, Nova Scotia
- (e) Assignment of credit balances for \$59,450
- (f) Conventional mortgage over property located at 265 Susie Lake Crescent, Halifax, Nova Scotia
- (g) Collateral mortgage on property located at 7044 Highway 207, West Chezzetcook, Nova Scotia

Estimated principal repayments are as follows:

2022	\$	73,750
2023		76,818
2024		80,531
2025		83,342
2026		86,808
Subsequent years		2,578,632
		\$ 2,979,881

7. Capital lease obligation

	2021	2020
Accurate Leasing capital lease contract with POS equipment pledged as security, repayable in monthly installments of \$795 with a maturity date of October 2021 and a purchase option of \$10.00 at maturity	\$ 2,386	\$ 11,925
Less current portion	2,386	9,540
Due beyond one year	\$ -	\$ 2,385

Estimated principal repayments are as follows:

2022	\$	2,386
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8. Subsequent event

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

Throughout the fiscal year, there have been multiple shutdowns. The most recent shutdown that occurred from April 2021 - June 2021 caused the closure of Mission Mart for 8 weeks. Because of Souls Harbour's dedicated donor base and the extra work done to push for donations during the period, they were still able to maintain a steady revenue stream.

As at October 7, 2021, management is of the opinion their business is considered essential service and they continue to operate as per status quo, with the exception of implementing required health guidelines to the daily operations. It is the management's opinion that in the unlikely event of a negative fallout due to the pandemic, it would be minimal and likely short lived.

Given the circumstances related to the COVID-19 pandemic, we are unable to estimate with any certainty the potential impact on the Organization's operations as at the date of these financial statements.

9. Wages and benefits

During the year, the Organization received Canada Emergency Wage Subsidy in the amount of \$8,193.37. The amount has been included as grant revenue.

10. Financial instruments risks and uncertainties

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 assists users of financial statements in assessing the extent of risk related to financial instruments.

10. Financial instruments risks and uncertainties, continued

(a) Foreign exchange risk

The organization is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the organization by a customer, or that an obligation in a foreign currency was made to the organization to a supplier, is different at the time of settlement than it was at time that the obligation was determined. The organization reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the organization and engaging in hedges when there is a significant risk of exchange rate movement. The organization did not have any hedges at the time that the financial statements were issued. The organization does not utilize financial instruments to manage its foreign exchange risk. The organization maintains adequate foreign currency balances in its bank provided by its customers that discharged their obligations to the organization in the related currency, to discharge its related foreign currency obligations. In the opinion of management the foreign exchange risk exposure to the company is low and is not material.

(b) Liquidity risk

The organization does have a liquidity risk in the accounts payable and accrued liabilities of \$9,464 (2020 - \$71,252). Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the organization is low and is not material.

(c) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount, such as a debt instrument held with a floating interest rate. The organization is exposed to cash flow risk given they have two outstanding mortgages that require monthly payments to be made.