

**Beaver Valley Outreach**

**Financial Statements**

For the Year Ended December 31, 2018

# Beaver Valley Outreach

## Financial Statements

For the Year Ended December 31, 2018

---

### Contents

<b>Independent Auditor's Report</b>	1 - 3
<b>Financial Statements</b>	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 13
Schedules	14 - 15



Tel: 705 445 4421  
Fax: 705 445 6691  
Toll-free: 1 800 466 8431  
www.bdo.ca

BDO Canada LLP  
40 Huron Street, Suite 100  
Collingwood, Ontario L9Y 4R3

---

## Independent Auditor's Report

---

### To the board of directors of Beaver Valley Outreach

#### Qualified Opinion

We have audited the financial statements of Beaver Valley Outreach, which comprise the statement of financial position as at December 31, 2018, 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 matters 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 Beaver Valley Outreach as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Basis for Qualified Opinion

The comparative capital asset balances were not subject to satisfactory audit verification and then were sold in fiscal 2018. Therefore, we were unable to determine if any adjustments might be necessary to the gain on sale of assets for December 31, 2018, excess of revenues over expenses for the years ended December 31, 2018 and 2017, and capital assets and net assets at December 31, 2017.

In common with many charitable organizations, Beaver Valley Outreach derives revenue from donations, fundraising, program revenues, preschool revenues, and Treasure Shop revenues, 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 Beaver Valley Outreach. Therefore, we were not able to determine whether any adjustments might be necessary to donations, fundraising, program revenues, preschool revenues, and Treasure Shop revenues, excess of revenues over expenses and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 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 Entity 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.

### **Other Information**

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Newsletter for the AGM prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

Chartered Professional Accountants, Licensed Public Accountants

Collingwood, Ontario  
March 21, 2019

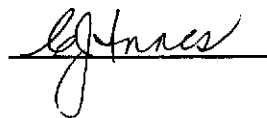
**Beaver Valley Outreach  
Statement of Financial Position**

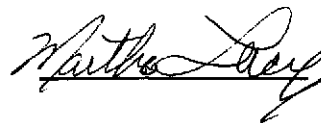
December 31	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 129,088	\$ 282,261
Temporary investments (Note 2)	96,336	358,306
Accounts receivable	89,434	35,730
Public service body rebate receivable	10,174	8,324
Prepaid expenses	4,616	5,353
	329,648	689,974
<b>Capital Assets (Note 3)</b>	1,969,832	1,448,917
	\$ 2,299,480	\$ 2,138,891

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 47,309	\$ 41,992
Government remittances	12,771	-
Other current liabilities (Note 4)	21,007	33,229
	81,087	75,221
<b>Long-term debt (Note 4)</b>	267,609	682,710
	348,696	757,931
<b>Net Assets</b>		
Operating Fund	173,232	97,982
Invested in capital assets	1,681,216	732,978
Sustainability/Property Fund	96,336	250,000
Community Fund	-	300,000
	1,950,784	1,380,960
	\$ 2,299,480	\$ 2,138,891

On behalf of the Board:

 Director

 Director

**Beaver Valley Outreach  
Statement of Changes in Net Assets**

For the year ended December 31	Operating Fund	Invested in capital assets	Sustainability/ Property Fund	Community Fund	2018 Total	2017 Total
Balance, beginning of the year	\$ 97,982	\$ 732,978	\$ 250,000	\$ 300,000	\$ 1,380,960	\$ 1,276,717
Excess of revenues over expenses	569,824	-	-	-	569,824	104,243
Amortization of capital assets	55,505	(55,505)	-	-	-	-
Repayment of long-term debt	(427,323)	427,323	-	-	-	-
Purchase of capital assets	(935,017)	935,017	-	-	-	-
Disposal of capital assets	358,597	(358,597)	-	-	-	-
Transfers between funds	453,664	-	(153,664)	(300,000)	-	-
<b>Balance, end of the year</b>	<b>\$ 173,232</b>	<b>\$ 1,681,216</b>	<b>\$ 96,336</b>	<b>\$ -</b>	<b>\$ 1,950,784</b>	<b>\$ 1,380,960</b>

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

## Beaver Valley Outreach Statement of Operations

For the year ended December 31	2018	2017
<b>Revenues</b>		
Program revenues (Schedule 1)	\$ 514,941	\$ 340,853
Preschool revenues (Schedule 2)	498,178	462,606
Treasure Shop revenues	282,337	291,978
Interest income	3,702	5,439
Member fees	210	195
Dividend income	28	1,023
Other revenue	4,376	1,509
	<b>1,303,772</b>	<b>1,103,603</b>
<b>Expenses</b>		
Administration	3,970	703
Advertising and promotion	7,553	2,624
Amortization of capital assets	55,505	29,254
Bank charges	3,148	2,811
Communications	18,267	15,652
Health and safety	-	630
Insurance	7,611	9,092
Interest expense	24	5,991
Interest paid (financial institutions)	25,635	21,312
Professional development	835	1,000
Professional fees	26,967	21,039
Repairs and maintenance	14,986	12,301
Supplies	11,665	16,522
Technical equipment and maintenance	7,693	3,755
Telephone	3,520	4,789
Utilities	12,304	14,321
Treasure shop expenses	16,972	14,742
Volunteer	15,843	22,753
Program expenses (Schedule 1)	417,250	349,621
Preschool expenses (Schedule 2)	444,668	450,448
	<b>1,094,416</b>	<b>999,360</b>
<b>Excess of revenues over expenses from operations</b>	<b>209,356</b>	<b>104,243</b>
<b>Gain on sale of land and building</b>	<b>360,468</b>	<b>-</b>
<b>Excess of revenues over expenses</b>	<b>\$ 569,824</b>	<b>\$ 104,243</b>

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



## Beaver Valley Outreach Statement of Cash Flows

For the year ended December 31	2018	2017
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 569,824	\$ 104,243
Items not affecting cash:		
Amortization of capital assets	55,505	29,254
Gain on sale of land and building	(360,468)	-
	264,861	133,497
Changes in non-cash working capital:		
Accounts receivable	(55,554)	2,802
Prepaid expenses	737	283
Accounts payable and accrued liabilities	18,088	41,992
Deferred revenue	-	(445)
	228,132	178,129
<b>Cash flows from investing activities</b>		
Purchase of investments	-	359,054
Proceeds on disposal of investments	261,970	-
Purchase of land and building	-	(1,007,928)
Purchase of computer equipment	(14,670)	(13,528)
Purchase of office equipment	(8,149)	-
Purchase of signage	(4,360)	-
Purchase of leasehold improvements	(13,051)	-
Purchase of building improvements	(894,787)	(85,052)
Proceeds on sale of land and building (net)	719,065	-
	46,018	(747,454)
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(427,323)	(9,061)
Proceeds from loan	-	725,000
	(427,323)	715,939
<b>Net (decrease) increase in cash</b>	<b>(153,173)</b>	<b>146,614</b>
<b>Cash, beginning of the year</b>	<b>282,261</b>	<b>135,647</b>
<b>Cash, end of the year</b>	<b>\$ 129,088</b>	<b>\$ 282,261</b>

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

---

# Beaver Valley Outreach Notes to Financial Statements

December 31, 2018

---

## 1. Significant Accounting Policies

<b>Nature and Purpose of Organization</b>	<p>The organization is a not-for-profit organization incorporated without share capital under the laws of Ontario. The organization is a registered charity and is exempt from income tax and may issue income tax receipts to donors.</p> <p>The organization is a community-based organization of staff and volunteers that provide quality programs and services to enhance the social, economic, and environmental well-being of people in their community.</p>
<b>Basis of Accounting</b>	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
<b>Funds</b>	<p>Beaver Valley Outreach follows the deferral method of accounting for contributions and uses fund accounting. They have three funds, the Community Fund, the Sustainability/Property Fund and the Operating Fund.</p> <p>The Community Fund was created to provide grants to groups or individuals who need funding for projects enhancing community life.</p> <p>The Sustainability/Property Fund was created for the investment in longer term GICs for sustainability of the organization and for future expansion and/or renovations and capital repairs to the organization's buildings.</p> <p>The Operating Fund reports resources available for Beaver Valley Outreach's program delivery. This fund reports unrestricted resources.</p>
<b>Revenue Recognition</b>	<p>Beaver Valley Outreach follows the deferral method of accounting for contributions.</p> <p>Revenue from Treasure Shop is recognized when the significant risks and rewards of ownership are transferred to the customer, which generally coincides with the time of purchase at the store. Revenue is recorded net of allowable discounts and rebates. Revenue from program fees and preschool are recognized at the time the service is delivered.</p> <p>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.</p>

---

## Beaver Valley Outreach Notes to Financial Statements

December 31, 2018

---

### 1. Significant Accounting Policies (continued)

#### Capital Assets

Purchased capital assets are stated at cost less accumulated amortization. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the capital asset are capitalized.

Construction in progress is not amortized until the capital asset is substantially complete and ready for use.

Amortization based on the estimated useful life of the asset is calculated as follows:

	<b>Method</b>	<b>Rate</b>
Building	Declining balance	4%
Office equipment	Declining balance	20%
Signage	Declining balance	20%
Computer equipment	Declining balance	55%
Leasehold improvements	Straight line	5 years

#### Contributed Materials and Services

Due to the difficulty in determining the fair value of materials contributed to the organization they are not recognized in the financial statements.

The organization utilizes a large amount of volunteer hours to support its programs and services. The value of this contributed time is not reflected in these financial statements.

---

## Beaver Valley Outreach Notes to Financial Statements

December 31, 2018

---

### 1. Significant Accounting Policies (continued)

**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.

**Use of 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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results will differ from management's best estimates as additional information becomes available in the future. Key estimates include accounts payable, accrued liabilities and amortization of capital assets.

---

## Beaver Valley Outreach Notes to Financial Statements

December 31, 2018

### 2. Investments

The carrying amounts of investments are comprised of the following:

	2018	2017
At fair market value:		
TD Wealth, 1 to 3 year bonds, interest ranging from 1.85% to 2.10%, maturing on March 2019 to May 2019	96,336	189,544
At cost:		
1.1% interest in common shares of Mutual Fund, sold in year	-	168,762
	<b>\$ 96,336</b>	<b>\$ 358,306</b>

### 3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land - 64 Bruce	\$ -	\$ -	\$ 45,035	\$ -
Land - 54 King	386,000	-	386,000	-
Building - 64 Bruce	-	-	282,923	40,120
Building - 54 King	621,928	36,818	621,928	12,439
Building improvements - 64 Bruce	-	-	79,450	8,690
Building improvements - 54 King	979,839	22,931	85,052	1,701
Computer equipment	18,648	6,714	3,978	1,094
Office equipment	17,699	3,489	9,550	955
Leasehold Improvements	13,051	1,305	-	-
Signage	4,360	436	-	-
	<b>\$ 2,041,525</b>	<b>\$ 71,693</b>	<b>\$ 1,513,916</b>	<b>\$ 64,999</b>
		<b>\$ 1,969,832</b>		<b>\$ 1,448,917</b>

---

## Beaver Valley Outreach Notes to Financial Statements

December 31, 2018

---

#### 4. Long-term Debt

	<u>2018</u>	<u>2017</u>
Loan payable to TD Canada Trust, repayable in semi-annual installments of \$10,503 plus monthly interest at 4.95% (prime plus 1%), maturing on April 3, 2022, secured by the General Security Agreement, the Continuing Collateral Mortgage and the Assignment of Fire Insurance on the building	\$ 288,616	\$ 715,939
Less: current portion	<u>(21,007)</u>	<u>(33,229)</u>
	<u>\$ 267,609</u>	<u>\$ 682,710</u>

Principal repayments on long-term debt over the next five years are as follows:

2019	\$ 21,007
2020	21,007
2021	21,007
2022	<u>225,595</u>
	<u>\$ 288,616</u>

The Loan Agreement with TD Canada Trust includes a covenant requiring Beaver Valley Outreach to maintain a Debt Service Coverage ratio of not less than 120% at all times.

---

---

# Beaver Valley Outreach Notes to Financial Statements

December 31, 2018

---

## 5. 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. Beaver Valley Outreach is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. Beaver Valley Outreach's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable, government remittances and holding all bank accounts with one financial institution where deposits are only insured up to \$100,000.

### Liquidity risk

Liquidity risk is the risk that Beaver Valley Outreach will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, Beaver Valley Outreach 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. Beaver Valley Outreach is exposed to this risk mainly in respect of its accounts payable and mortgage loan.

Beaver Valley Outreach's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Beaver Valley Outreach is exposed to interest rate risk on its floating interest on the long-term debt and investments.

A portion of Beaver Valley Outreach's investments bear interest at floating rates. Fluctuations in these rates will impact the investment income received in the future.

Beaver Valley Outreach's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. Treasury risk management policies specify various investment parameters including eligible types of investment, maximum maturity dates, maximum exposure by counterparties and maximum credit ratings.

Beaver Valley Outreach mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time.

---

## Beaver Valley Outreach Schedule 1 - Program Revenues and Expenses

For the year ended December 31	2018	2017
<b>Revenues</b>		
Affordable Housing	\$ 20,000	\$ 10,000
Breakfast Club	5,338	5,142
Donation revenue	197,085	125,730
Emergency Services	14,354	16,545
Good Food Box	6,904	5,069
Kid's Club	81,308	76,181
ODD Shop	100	155
Ontario Early Years	25,851	21,072
Recreational Funding	5,700	2,000
Seniors	-	5,640
Special Events	77,316	1,190
Summer Day Camp	80,985	72,129
	<u>514,941</u>	<u>340,853</u>
<b>Expenses</b>		
Affordable Housing	17,801	7,610
Breakfast Club	6,489	5,669
Christmas hampers	17,009	22,874
Emergency Services	28,435	20,256
Good Food Box	6,992	7,579
Kid's Club	67,831	70,728
ODD Shop	1,013	65
Ontario Early Years	22,975	20,738
Recreational Funding	16,003	9,389
Seniors	20,478	18,059
Special Events	20,687	6,799
Summer Day Camp	42,816	34,416
Transportation	63	214
Wages and benefits	139,183	118,065
Youth	9,475	7,160
	<u>417,250</u>	<u>349,621</u>
	<u>\$ 97,691</u>	<u>\$ (8,768)</u>



## Beaver Valley Outreach Schedule 2 - Preschool Revenues and Expenses

For the year ended December 31	2018	2017
<b>Revenues</b>		
General operating grant	\$ 65,206	\$ 55,179
Donations	700	481
Parent fees	248,573	266,083
Subsidies	117,044	111,216
Other	66,655	29,647
	<b>498,178</b>	<b>462,606</b>
<b>Expenses</b>		
Advertising	25	19
Cleaning	3,662	6,117
Food	20,338	15,890
Insurance	-	1,703
Meetings and conventions	738	1,258
Repairs and Maintenance	12,849	3,495
Supplies	9,765	13,028
Telephone	1,020	785
Utilities	10,630	7,532
Salaries and Wages	385,641	400,621
	<b>444,668</b>	<b>450,448</b>
	<b>\$ 53,510</b>	<b>\$ 12,158</b>