

PAL Ottawa

Financial Statements
For the year ended December 31, 2020

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Independent Auditor's Report

To the Members of PAL Ottawa

Qualified Opinion

We have audited the financial statements of PAL Ottawa (the "Organization") which comprise the statement of financial position as at December 31, 2020, 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 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 Organization as at December 31, 2020, 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 not-for-profit organizations, the Organization 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the year ended December 31, 2020, current assets as at December 31, 2020, and net assets as at the beginning and end of the December 31, 2020 year. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2019 was also 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.

Other Matters

The financial statements of PAL Ottawa for the year ended December 31, 2019, were audited by another auditor who expressed a qualified opinion on those statements on September 24, 2020 for the reasons described in the Basis for 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 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.

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

PAL Ottawa
Statement of Financial Position

December 31	2020	2019
Assets		
Current		
Cash	\$ 79,026	\$ 46,496
Accounts receivable (Note 1)	2,904	15,293
	\$ 81,930	\$ 61,789
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 3,993	\$ 3,658
Deferred revenue and contributions (Note 2)	44,830	2,792
	48,823	6,450
Net assets	33,107	55,339
	\$ 81,930	\$ 61,789

On behalf of the Board of Directors:

Peter Haworth, Chair

Sandy Mackay-Smith, Director

PAL Ottawa

Statement of Operations and Changes in Net Assets

For the year ended December 31	2020	2019
Revenue		
Memberships (Note 2)	\$ 2,357	\$ 1,811
Fundraising events	-	17,284
Donations	35,535	25,295
Grants (Note 2)	112	5,750
Housing project revenues (Note 2)	6,238	12,873
Interest	29	373
	44,271	63,386
Expenses		
Program expenses (Schedule)	4,530	7,389
Members, communications and outreach (Schedule)	21,392	9,971
General and administrative expenses (Schedule)	22,415	14,949
Fundraising expenses	1,928	13,681
Housing project expenses	6,238	13,918
Grant expense (Note 3)	10,000	-
	66,503	59,908
Excess (deficiency) of revenue over expenses for the year	(22,232)	3,478
Net assets, beginning of year	55,339	51,861
Net assets, end of year	\$ 33,107	\$ 55,339

PAL Ottawa
Statement of Cash Flows

For the year ended December 31	2020	2019
Cash flows from (used in) operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (22,232)	\$ 3,478
Changes in non-cash working capital balances		
Accounts receivable	12,389	(13,575)
Accounts payable and accrued liabilities	335	(7,325)
Deferred contributions	42,038	(7,618)
	<u>32,530</u>	<u>(25,040)</u>
Cash flows from (used in) investing activities		
Proceeds on maturity of term deposit	-	29,000
Increase in cash during the year	32,530	3,960
Cash, beginning of year	46,496	42,536
Cash, end of year	\$ 79,026	\$ 46,496

PAL Ottawa

Summary of Significant Accounting Policies

December 31, 2020

Nature of Organization PAL Ottawa (the "Organization") was incorporated without share capital on June 18, 2012 under the Canada Not-for-profit Corporations Act and is a registered charity that is exempt from income tax under the Income Tax Act. Its purpose is to provide senior members of the Capital Region's arts community with essentials such as personal care services, links to the local arts community and affordable housing so that they may live with dignity within a caring community.

Basis of Presentation These financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO") which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

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 reporting period. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the fiscal period in which they become known.

Significant estimates include assumptions used in estimating: the amounts and collectibility of accounts receivable; provisions for accrued liabilities; and estimating the amount of revenue earned or deferred, if any.

Financial Instruments The Organization's financial instruments are financial assets or financial liabilities where, in general, the Organization has the right to receive cash or another financial asset from another party or the Organization has the obligation to pay another party cash or other financial assets.

Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost which for investments is cost plus accrued interest which approximates fair value. In addition equity and other instruments, if any, that are quoted in an active market, are measured at fair value. Changes in fair value are recognized in operations.

Financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, and accounts payable and accrued liabilities. There are no financial assets or financial liabilities measured at fair value.

PAL Ottawa
Summary of Significant Accounting Policies

December 31, 2020

**Financial Instruments
(continued)**

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations as an expense. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The Organization recognizes its transaction costs in operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future fiscal year expenses are deferred and are recognized as revenue in the fiscal 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.

Membership fees are recognized as revenue on a straight-lined basis over the twelve-month period in which the related services are provided. Amounts collected in advance are shown as deferred contributions.

Fundraising revenues are recognized as revenue when the event has occurred, the amount can be estimated and collection is reasonably assured.

Interest revenue is unrestricted and is recognized as revenue as it is earned.

Allocation of Expenses

The Organization's expenses are presented in the statement of operations on a functional basis. Certain expenses incurred are applicable to more than one function, are directly related to the output of that applicable function, and are therefore considered direct expenses and not indirect expenses. Indirect expenses, including expenses presented on under general and administrative expenses, represent total expenses since no allocation has been made to the functions presented.

PAL Ottawa
Summary of Significant Accounting Policies

December 31, 2020

Contributed Services

A substantial portion of the Organization's work is dependent upon the contributions of volunteers. These services are not normally purchased and also due to the difficulty in determining their fair value, they are not recognized in these financial statements.

Other contributions of materials and services, should they be received, are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

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PAL Ottawa
Notes to Financial Statements

December 31, 2020

1. Accounts Receivable

Accounts receivable include the following:

	2020	2019
Supporters	\$ -	\$ 12,007
Sales tax receivables	2,904	3,286
	\$ 2,904	\$ 15,293

2. Deferred Revenue and Contributions

Deferred membership revenue represents amounts received for membership fees that relate to future periods. Deferred grants and building fund contributions represents the balance of restricted funding that have not been spent or earned as at year-end. The continuity of deferred revenue and contributions for the year is as follows:

	2020	2019
<i>Memberships</i>		
Balance, beginning of year	\$ 1,042	\$ 723
Received during the year	3,075	2,130
Recognized as revenue for the year	(2,357)	(1,811)
Balance, end of year	1,760	1,042
<i>Grants</i>		
Balance, beginning of year	1,750	-
Received during the year	22,550	7,500
Recognized as revenue for the year	(112)	(5,750)
Balance, end of year	24,188	1,750
<i>Building Fund</i>		
Balance, beginning of year	-	9,508
Received during the year	25,120	3,365
Recognized as revenue for the year	(6,238)	(12,873)
Balance, end of year	18,882	-
	\$ 44,830	\$ 2,792

PAL Ottawa Notes to Financial Statements

December 31, 2020

3. **Grant Expense**

During the year, the Organization made a \$10,000 contribution to the Ottawa Community Foundation to establish the PAL Ottawa Fund. The purpose of this fund is to support the charitable activities of the Organization, with the original contribution to be held by the fund for 3 years, to earn investment income, and then to be distributed to the Organization. Any contributions received from the Ottawa Community Foundation from this fund will be recognized as revenue in the year it is received.

4. **Commitments**

In connection with its operations, the Organization regularly enters into agreements for the purchase of various supplies and services. Certain of these agreements extend beyond December 31, 2020. In the opinion of management, these agreements are in the normal course of the Organization's operations, are not abnormal in amount or nature and do not include a high degree of speculative risk. These agreements are generally cancellable at the Organization's option on short notice.

5. **Financial Instruments Risks and Concentrations**

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposures and concentrations as at December 31, 2020.

The Organization is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

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 credit risk on its accounts receivable, in the event of non-payment. Although not considered a significant credit risk, credit risk also exists in relation to the Organization's cash balances.

Liquidity risk

Liquidity risk relates to the risk that Organization will encounter difficulty in meeting its obligations associated with its financial liabilities and commitments. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and the provision of services related to its deferred revenue balances set out in Note 2 to these financial statements.

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Notes to Financial Statements

December 31, 2020

5. Financial Instruments Risks and Concentrations (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain of the Organization's revenue and expenses as well as its financial instruments are all in Canadian currency. Consequently, the Organization is not exposed to foreign exchange fluctuations.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not subject to significant interest rate risk as it does not hold any fixed or floating rate financial instruments. The cash accounts set out in these financial statements are non-interest bearing.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not exposed to other price risk.

Changes in risk

There have been no significant changes in the Organization's financial instruments risk exposures during the year ended December 31, 2020.

6. Corresponding Amounts and Financial Disclosures

In certain instances, 2019 fiscal year corresponding amounts and financial disclosures presented have been reclassified to conform with the financial statement presentation and financial disclosures adopted for the 2020 fiscal year.

PAL Ottawa
Notes to Financial Statements

December 31, 2020

7. Subsequent Event

Subsequent to year-end, the Organization invested \$10,000 in a one year redeemable term deposit, bearing interest at a rate of 0.55%.

8. Uncertainty due to COVID-19

The duration and full financial impact of the COVID-19 pandemic is unknown at this time, as are any additional measures to be taken by governments, the Organization or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of this pandemic is subject to significant uncertainty and accordingly it is unknown whether COVID-19 may materially and adversely impact the Organization's operations, financial results and condition in future periods.

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**PAL Ottawa
Schedules of Expenses**

For the year ended December 31	2020	2019
Program Expenses		
Drivers	\$ 601	\$ 716
Office expenses	-	923
Project management	<u>3,929</u>	<u>5,750</u>
	\$ 4,530	\$ 7,389
Members, Communication and Outreach		
Advertising and promotion	\$ 538	\$ 935
Meetings	-	649
Office expenses	762	1,902
Outreach co-ordinator	12,201	6,485
Development consultant	<u>7,891</u>	<u>-</u>
	\$ 21,392	\$ 9,971
General and Administrative Expenses		
Insurance	\$ 2,486	\$ 1,632
Interest and bank charges	496	584
Meetings	250	709
Memberships, dues and licenses	2,615	1,365
Office administrator	3,112	-
Office expenses	1,062	89
Professional fees	<u>12,394</u>	<u>10,570</u>
	\$ 22,415	\$ 14,949