

Financial Statements of

ROSSBROOK HOUSE FOUNDATION INC.

March 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Rossbrook House Foundation Inc.

Qualified Opinion

We have audited the financial statements of Rossbrook House Foundation Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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 March 31, 2020, 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 ("ASNPO").

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives part of its revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donation revenue, deficiency of revenue over expenses, and cash flows from operations for the year ended March 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 audit 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.

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 GAAS 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 GAAS, 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.

The logo for Deloitte, featuring the word "Deloitte" in a stylized, cursive script font, followed by the letters "CPA" in a smaller, simpler font.

Chartered Professional Accountants

June 23, 2020
Winnipeg, Manitoba

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ROSSBROOK HOUSE FOUNDATION INC.

Statement of Operations and Changes in Fund Balances

Year Ended March 31, 2020

	Every Child's Legacy Fund	Capital Fund	Sister Geraldine MacNamara Memorial Endowment Fund	2020 Total	2019 Total
REVENUE					
Gifts from Rossbrook House Inc. (Note 4)	\$ -	\$ -	\$ 5,553	\$ 5,553	\$ 14,587
Donations from foundations and service organizations		-		-	
Private donations	154,656	-	10,108	164,764	122,968
Fundraising	1,441	-	-	1,441	100,975
Investment income	61,793	25,404	25,665	112,862	143,789
Unrealized gain (loss) on investments	(99,400)	(40,864)	(41,285)	(181,549)	47,288
	118,490	(15,460)	41	103,071	429,607
EXPENSES					
Life insurance premium (Note 6)	2,091	-	-	2,091	2,091
Audit fees	2,475	1,017	1,028	4,520	4,212
Investment fees	10,113	4,158	4,201	18,472	18,658
Contracted services	-	-	-	-	5,173
Custodian/ Brokerage Fees	1,672	687	694	3,053	3,432
Fundraising	14,471	-	-	14,471	41,547
Staffing	59,494	-	-	59,494	24,155
Other expenses	7,056	-	-	7,056	4,049
	97,372	5,862	5,923	109,157	103,317
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	21,118	(21,322)	(5,882)	(6,086)	326,290
GIFT TO ROSSBROOK HOUSE INC. (Note 4)	194,275	-	18,850	213,125	344,250
DEFICIENCY OF REVENUE OVER EXPENSES	(173,157)	(21,322)	(24,732)	(219,211)	(17,960)
FUND BALANCES, BEGINNING OF YEAR	1,599,369	657,524	664,295	2,921,188	2,939,149
FUND BALANCES, END OF YEAR	\$ 1,426,212	\$ 636,202	\$ 639,563	\$ 2,701,977	\$ 2,921,189

ROSSBROOK HOUSE FOUNDATION INC.
Statement of Financial Position
March 31, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT		
Cash	\$ 61,034	\$ 55,992
Investments (Note 5)	2,644,495	2,866,335
Due from Rossbrook House Inc.	-	960
	\$ 2,705,529	\$ 2,923,287
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,552	\$ 2,099
FUND BALANCES		
Every Child's Legacy Fund	1,426,212	1,599,369
Capital Fund	636,202	657,524
Sister Geraldine MacNamara Memorial Endowment Fund (Note 7)	639,563	664,295
	2,701,977	2,921,188
	\$ 2,705,529	\$ 2,923,287

APPROVED BY THE BOARD

..... Director

..... Director

ROSSBROOK HOUSE FOUNDATION INC.
Statement of Cash Flows
Year Ended March 31, 2020

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (219,211)	\$ (17,960)
Item not affecting cash:		
Unrealized (gain) loss on investments	181,549	(47,288)
	<u>(37,662)</u>	<u>(65,248)</u>
Changes in non-cash operating working capital items:		
Due from/to Rossbrook House Inc.	960	1,131
Accounts payable and accrued liabilities	1,453	2,098
	<u>(35,249)</u>	<u>(62,019)</u>
INVESTING ACTIVITY		
Decrease in investments - net	40,291	84,313
NET INCREASE IN CASH POSITION	5,042	22,294
CASH POSITION, BEGINNING OF YEAR	55,992	33,698
CASH POSITION, END OF YEAR	\$ 61,034	\$ 55,992

ROSSBROOK HOUSE FOUNDATION INC.

Notes to the Financial Statements

March 31, 2020

1. NATURE OF FOUNDATION

Rossbrook House Foundation Inc., (the "Foundation") is a not-for-profit corporation that limits its undertaking to advancing the charitable activities of Rossbrook House Inc. Rossbrook House Foundation Inc. is a registered charity under the Income Tax Act and has been designated a public foundation.

2. FUND BALANCES

The Foundation has established three funds.

The Every Child's Legacy Fund makes gifts to Rossbrook House Inc. from time to time in order to facilitate operations to Rossbrook House Inc., and the programs offered by Rossbrook House Inc.

The Capital Fund makes gifts to Rossbrook House Inc. from time to time in order to facilitate the construction, maintenance, repair, or replacement of buildings, facilities, and equipment owned or operated by Rossbrook House Inc., in carrying out its objectives.

The Sister Geraldine MacNamara Memorial Endowment Fund is an endowment fund and supports the education of individuals who have benefited from programs conducted at Rossbrook House. The Fund also supports the education of staff employed by Rossbrook House Inc., including the awarding of scholarships and bursaries to such individuals. Within the Endowment Fund is the Sister Bernadette O'Reilly Post-Secondary Scholarship Fund which focuses support on accredited post-secondary education and training programs.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) *Fund accounting*

The Foundation follows the restricted fund method for accounting for contributions.

All contributions are recognized as revenue of the Every Child's Legacy Fund except for contributions that are designated by the donor to one of the restricted funds which are recognized as revenue in the appropriate restricted fund when received.

Contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest, unrealized gain on investments and other income are recognized as revenue of the appropriate fund when earned.

ROSSBROOK HOUSE FOUNDATION INC.

Notes to the Financial Statements

March 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for the investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations and changes in fund balances.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes in net earnings an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs.

c) *Interest rate and credit risk*

Interest rate risk is the risk to the Foundation's earnings that arises from fluctuations in interest rates and volatility of these rates. Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Foundation. The effect of these risks is offset in part by the diversity and liquidity of the investment portfolio, which is held in a global balanced fund.

4. GIFT FROM/TO ROSSBROOK HOUSE INC.

During the year, the Foundation received gifts from Rossbrook House Inc. of \$5,553 (2019 - \$14,587). The Foundation gifted Rossbrook House Inc. \$194,275 for programs and operations, and \$18,850 for post-secondary scholarships and education support (total for 2019 - \$344,250).

5. INVESTMENTS

The investments are recorded at market value and are entirely comprised of a Global Balanced mutual fund, held in Canadian dollars, with an original cost of \$2,450,674 (2019 - \$2,467,962).

ROSSBROOK HOUSE FOUNDATION INC.

Notes to the Financial Statements

March 31, 2020

6. LIFE INSURANCE

The Foundation is the owner and beneficiary of a \$50,000 life insurance policy. The policy becomes paid up after payment of annual premiums of \$2,091 for 15 years. The policy will commence having a cash surrender value in 2020.

7. SISTER GERALDINE MACNAMARA MEMORIAL ENDOWMENT FUND

The Sister Geraldine MacNamara Memorial Endowment Fund is stewarded by recording contributed capital separately from accumulated earnings on investment funds. Expenses of the Fund and gifts are paid out of the accumulated earnings.

	<u>2020</u>	<u>2019</u>
Endowment funds – contributed capital		
Endowment Fund	\$ 290,319	\$ 290,319
Sister Bernadette O'Reilly Post-Secondary Scholarship Fund	200,331	184,670
Cumulative earnings on the funds	148,913	189,307
	<u>\$ 639,563</u>	<u>\$ 664,296</u>