

Financial Statements of
ROSSBROOK HOUSE INC.
March 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Directors of Rossbrook House Inc.

Qualified Opinion

We have audited the financial statements of Rossbrook House Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and 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 (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, 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 ("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, 2021.

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 22, 2021
Winnipeg, Manitoba

TABLE OF CONTENTS

	<u>Page</u>
Statement of Operations and Changes in Net Assets	1
Statement of Financial Position	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 – 7
Schedule - Operating Expenses	8

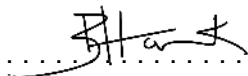
ROSSBROOK HOUSE INC.
Statement of Operations and Changes in Net Assets
Year Ended March 31, 2021

	<u>2021</u>	<u>2020</u>
REVENUE		
Grants (Note 7)	\$ 1,007,798	\$ 919,417
Donations from foundations and service organizations	248,590	260,921
Rossbrook House Foundation donations	7,750	213,125
Private donations	222,179	254,684
Interest and other income	9,267	8,721
Amortization of deferred contributions (Note 5)	67,432	62,744
	1,563,016	1,719,612
EXPENSES		
Operating expenses - Schedule	1,599,839	1,708,913
Amortization	67,334	64,005
	1,667,173	1,772,918
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS	(104,157)	(53,306)
TRANSFER OF DESIGNATED GIFTS TO ROSSBROOK HOUSE FOUNDATION INC. (Note 6)	-	(5,558)
DEFICIENCY OF REVENUE OVER EXPENSES	(104,157)	(58,864)
NET ASSETS, BEGINNING OF YEAR	74,187	133,051
NET (DEFICIT) ASSETS, END OF YEAR	\$ (29,970)	\$ 74,187

ROSSBROOK HOUSE INC.
Statement of Financial Position
March 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT		
Cash	\$ 96,626	\$ 183,290
Accounts receivable	8,996	3,325
Grants receivable	74,981	97,700
Due from Rossbrook House Foundation Inc.	7,056	-
Prepaid expenses	7,087	3,807
	194,746	288,122
FIXED ASSETS (Note 3)	490,188	525,482
	\$ 684,934	\$ 813,604
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 102,451	\$ 134,913
Deferred contributions - operating (Note 4)	29,183	16,950
	131,634	151,863
DEFERRED CONTRIBUTIONS FIXED ASSETS (Note 5)	583,270	587,554
	714,904	739,417
NET (DEFICIT) ASSETS		
Unrestricted	(29,970)	74,187
	\$ 684,934	\$ 813,604

APPROVED BY THE BOARD

 Director
 Director

ROSSBROOK HOUSE INC.
Statement of Cash Flows
Year Ended March 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Deficiency of revenue over expenses from operations	\$ (104,157)	\$ (58,864)
Items not affecting cash:		
Amortization of fixed assets	67,334	64,005
Amortization of deferred contributions - operating	(58,967)	(9,360)
Amortization of deferred contributions - fixed assets	(67,432)	(62,744)
	(163,222)	(66,963)
Changes in non-cash operating working capital items:		
Accounts receivable	(5,671)	(324)
Grants receivable	22,719	(33,615)
Due from/to Rossbrook House Foundation Inc.	(7,056)	(960)
Prepaid expenses	(3,280)	1,475
Accounts payable and accrued liabilities	(32,462)	852
	(188,972)	(99,535)
FINANCING ACTIVITIES		
Deferred contributions - operating	71,200	16,950
Deferred contributions - fixed assets	63,148	9,995
	134,348	26,945
INVESTING ACTIVITY		
Fixed asset additions	(32,040)	(19,575)
DECREASE IN CASH POSITION	(86,664)	(92,165)
CASH POSITION, BEGINNING OF YEAR	183,290	275,455
CASH POSITION, END OF YEAR	\$ 96,626	\$ 183,290

ROSSBROOK HOUSE INC.

Notes to the Financial Statements

March 31, 2021

1. DESCRIPTION OF OPERATIONS

Rossbrook House Inc. ("the Organization") is a not-for-profit organization that operates a neighbourhood centre serving children, adolescents and young adults. The Organization offers a safe and positive diversion from life on the streets. The Organization is a registered charity under the Income Tax Act.

2. 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) 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. Contributions restricted for the purchase of fixed assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets. 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.

Unrestricted investment income is recognized as revenue when earned.

b) Fixed assets

Fixed assets are recorded at cost. Amortization is computed using the straight-line method at rates calculated to amortize the cost of the assets less their residual values over their estimated useful lives. Amortization rates are as follows:

Buildings	25 years
Furniture, fixtures and equipment	5 years
Vehicles	5 years
Computer equipment	3 years

c) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs related to 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 effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

ROSSBROOK HOUSE INC.
Notes to the Financial Statements
March 31, 2021

2. ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

With respect to financial assets measured at cost or amortized cost, the Organization 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.

d) Use of estimates

The preparation of financial statements in conformity 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the useful life of fixed assets. Actual results could differ from these estimates.

3. FIXED ASSETS

	<u>2021</u>			<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 10,002	\$ -	\$ 10,002	\$ 10,002
Buildings	1,780,300	1,348,121	432,179	481,569
Furniture, fixtures and equipment	190,625	169,103	21,522	10,441
Vehicles	97,127	81,480	15,647	23,470
Computer equipment	68,192	57,354	10,838	-
	<u>\$2,146,246</u>	<u>\$1,656,058</u>	<u>\$ 490,188</u>	<u>\$ 525,482</u>

The Organization holds title to the properties located at 429 Elgin Avenue, 658 Ross Avenue and 588 Ross Avenue. Under the terms of the purchase agreements, the Organization may not sell the properties at 429 Elgin Avenue and 658 Ross Avenue and the properties must be utilized as multi-purpose community based resource residential education and training centres. In the event that these two properties are not used for this purpose, they revert back to the City of Winnipeg.

ROSSBROOK HOUSE INC.
Notes to the Financial Statements
March 31, 2021

4. DEFERRED CONTRIBUTIONS – OPERATING

Deferred contributions - operating relates to restricted operating funding received in the current year that relates to the subsequent year. Changes in deferred contributions are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 16,950	\$ 9,360
Amount recognized as revenue in the year	(58,967)	(9,360)
Amount received related to the following year	71,200	16,950
Balance, end of year	<u>\$ 21,983</u>	<u>\$ 16,950</u>

The amount of deferred contributions - operating recognized as revenue in the current year is included in donations from foundations and service organizations on the statement of operations and changes in net assets.

5. DEFERRED CONTRIBUTIONS – FIXED ASSETS

The amortization of capital contributions is recorded as revenue in the statement of operations and changes in net assets.

Deferred contributions - fixed assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of fixed assets. Changes for the year in the deferred contributions - fixed assets balance reported are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 587,554	\$ 640,303
Amounts amortized to revenue	(67,432)	(62,744)
Amounts received	63,148	9,995
Balance, end of year	<u>\$ 583,270</u>	<u>\$ 587,554</u>

The balance of deferred contributions – fixed assets consists of the following:

	<u>2021</u>	<u>2020</u>
Unamortized capital contributions	\$ 465,245	\$ 500,386
Unspent contributions	118,025	86,917
Balance, end of year	<u>\$ 583,270</u>	<u>\$ 587,554</u>

6. ROSSBROOK HOUSE FOUNDATION INC.

During the year, the Organization received a gift of \$7,750 (2020 - \$213,125) from Rossbrook House Foundation Inc., and the Organization transferred designated gifts of \$nil (2020 - \$5,558) to Rossbrook House Foundation Inc.

ROSSBROOK HOUSE INC.
Notes to the Financial Statements
March 31, 2021

7. GRANTS – UNRESTRICTED

	<u>2021</u>	<u>2020</u>
Provincial Government		
Healthy Child Manitoba – Sustaining Funding	\$ 286,000	\$ 286,000
City of Winnipeg - Sustaining Funding	230,705	249,954
<u>United Way of Winnipeg - Sustaining Funding</u>	<u>264,186</u>	<u>264,194</u>
	780,891	800,148
Provincial Government		
Alternative School Programs	26,667	40,000
Learning Always	20,800	31,260
Lighthouses	12,000	12,000
Urban Green Team	15,376	17,709
White Sash	16,000	16,000
Miscellaneous	5,400	2,300
Covid -19	130,664	-
	<u>\$ 1,007,798</u>	<u>\$ 919,417</u>

8. BUDGET FIGURES

Budget figures are unaudited and have been compiled by the Organization to be presented as additional information in compliance with the Healthy Child Manitoba Office reporting requirements.

9. PENSION PLAN

The employees of Rossbrook House Inc. participate in the Community Agencies Retirement Plan, a multi-employer defined benefit plan. This plan, to which the Organization contributed \$55,313 (2020 - \$39,580), is accounted for as a defined contribution plan.

ROSSBROOK HOUSE INC.
Operating Expenses
Year Ended March 31, 2021

	2021	Budget (Note 8) (Unaudited)	2020
Accounting and auditing	\$ 9,470	\$ 10,000	\$ 9,558
Bank charges and interest	2,134	7,200	2,969
Education programs	21,348	20,000	36,676
Equipment purchases and repairs	5,216	-	2,083
Food and household supplies	57,616	62,800	62,766
G.S.T.	6,483	8,000	6,671
Garbage removal	13,358	10,000	11,751
Insurance	16,452	14,000	15,909
Miscellaneous	18,472	20,200	8,921
Office supplies and computer	29,728	28,500	23,075
Realty taxes	2,498	2,500	2,489
Storage rent	1,436	-	1,426
Repairs and maintenance - building	32,315	45,000	55,646
Rossbrook House program	148,402	166,900	162,758
Transportation	12,653	29,600	26,219
Utilities			
Gas	5,017	5,000	5,616
Electricity	14,483	14,800	12,535
Telephone	14,331	12,000	15,613
Water	3,844	7,080	3,420
Wages, benefits and taxes			
Gross wages	1,017,707	1,103,293	1,099,511
Canada Pension Plan	49,798	44,100	46,079
Employment Insurance	25,243	23,400	23,391
Community Agencies Benefits Plan	27,664	32,000	23,615
Community Agencies Retirement Plan	55,313	37,417	39,580
Other benefits	8,858	15,000	10,636
	\$ 1,599,839	\$ 1,718,790	\$ 1,708,913