

Financial Statements of

ROSSBROOK HOUSE FOUNDATION INC.

March 31, 2023

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, 2023, 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, 2023, 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, 2023.

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 font, followed by the letters "CPA" in a smaller, sans-serif font.

Chartered Professional Accountants

Winnipeg, Manitoba
June 29, 2023

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ROSSBROOK HOUSE FOUNDATION INC.
Statement of Operations and Changes in Fund Balances
Year Ended March 31, 2023

	General Fund	Every Child's Legacy Fund	Capital Fund	Sister Geraldine MacNamara Memorial Enduring Fund	Sister Bernadette Post-Secondary Education Scholarship Fund	2023 Total	2022 Total
REVENUE							
Donations from foundations and service organizations	\$ 75,583	\$ -	\$ 50,000	\$ -	\$ 473	\$ 126,056	\$ 100,503
Private donations	213,445	10,450	7,240	200	14,551	245,886	367,544
Fundraising	6,674	-	-	-	-	6,674	3,540
Investment income	-	64,171	25,669	16,335	10,501	116,676	266,942
Unrealized (loss) gain on investments	-	(47,518)	(19,007)	(12,096)	(7,776)	(86,397)	(172,060)
Increase in cash surrender value	6,449	-	-	-	-	6,449	-
	302,151	27,103	63,902	4,439	17,749	415,344	566,469
EXPENSES							
Life insurance premium (Note 6)	2,091	-	-	-	-	2,091	2,091
Audit fees	7,806	-	-	-	-	7,806	4,928
Investment fees	-	9,663	3,865	2,460	1,581	17,569	21,446
Custodian/ Brokerage Fees	-	1,629	651	415	266	2,961	3,657
Marketing and communication	19,637	-	-	-	-	19,637	8,576
Fundraising	12,183	-	-	-	-	12,183	3,059
Staffing	72,277	-	-	-	-	72,277	67,571
Office supplies	-	-	-	-	-	-	5,252
Bank charges	8,081	-	-	-	-	8,081	8,572
Stewardship charge	(51,480)	28,279	11,373	7,160	4,668	-	-
	70,595	39,571	15,889	10,035	6,515	142,605	125,152
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	231,556	(12,468)	48,013	(5,596)	11,234	272,739	441,317
GIFT TO ROSSBROOK HOUSE INC. (Note 4)	-	634,336	152,657	8,107	4,500	799,600	521,764
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	231,556	(646,804)	(104,644)	(13,703)	6,734	(526,861)	(80,447)
FUND BALANCES, BEGINNING OF YEAR	-	1,816,213	740,529	453,811	306,408	3,316,961	3,397,408
INTERFUND TRANSFER	(231,000)	231,000	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ 556	\$ 1,400,409	\$ 635,885	\$ 440,108	\$ 313,142	\$ 2,790,100	\$ 3,316,961

ROSSBROOK HOUSE FOUNDATION INC.
Statement of Financial Position
Year Ended March 31, 2023

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT		
Cash	\$ 101,462	\$ 53,308
Investments (Note 5)	2,691,308	3,269,990
Due from Rossbrook House Inc.	87,567	-
Prepaid expenses	2,627	2,855
	<u>2,882,964</u>	<u>3,326,153</u>
Cash surrender value of life insurance policy (Note 6)	6,449	-
	<u>\$ 2,889,413</u>	<u>\$ 3,326,153</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,019	\$ 6,195
Due to Rossbrook House Inc.	-	2,997
Deferred Income	93,294	-
	<u>99,313</u>	<u>9,192</u>
FUND BALANCES		
General Fund	556	-
Every Child's Legacy Fund	1,400,409	1,816,213
Capital Fund	635,885	740,529
Sister Geraldine MacNamara Memorial Enduring Fund	440,108	453,811
Sister Bernadette O-Reilly Post-Secondary Education Scholarship Fund	313,142	306,408
	<u>2,790,100</u>	<u>3,316,961</u>
	<u>\$ 2,889,413</u>	<u>\$ 3,326,153</u>

APPROVED BY THE BOARD

 Director
.....
 Director
.....

ROSSBROOK HOUSE FOUNDATION INC.**Statement of Cash Flows**

Year Ended March 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (526,861)	\$ (80,447)
Item not affecting cash:		
Unrealized loss on investments	86,397	172,060
Change in cash surrender value	(6,449)	-
	<u>(446,913)</u>	<u>91,613</u>
Changes in non-cash operating working capital items:		
Prepaid expenses	228	(2,855)
Due from/to Rossbrook House Inc.	(90,564)	(4,059)
Accounts payable and accrued liabilities	(176)	863
Deferred Revenue	93,294	-
	<u>(444,131)</u>	<u>85,562</u>
INVESTING ACTIVITY		
Increase in investments - net	492,285	(236,598)
NET INCREASE (DECREASE) IN CASH POSITION	48,154	(151,036)
CASH POSITION, BEGINNING OF YEAR	53,308	204,344
CASH POSITION, END OF YEAR	\$ 101,462	\$ 53,308

ROSSBROOK HOUSE FOUNDATION INC.

Notes to the Financial Statements

March 31, 2023

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 five funds.

The General Fund accounts for the Foundation's undesignated revenues and the general expenses.

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 Enduring Fund is an enduring fund which supports the education and personal development of individuals who have benefited from programs conducted at Rossbrook House Inc. as well as the education and personal development of staff employed by Rossbrook House Inc., including the awarding of scholarships and bursaries and other means of support to such individuals. The Fund also supports activities of Rossbrook House Inc. in promoting the education and advancement of individuals who are participating in scholastic programs conducted at Rossbrook House.

The Sister Bernadette O'Reilly Post-Secondary Education Scholarship Fund is an enduring fund which supports members of the community served by Rossbrook House Inc. by funding scholarships and bursaries as well as residence and living expenses of individuals attending an acceptable program offered by post-secondary educational institutions.

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 General 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.

ROSSBROOK HOUSE FOUNDATION INC.

Notes to the Financial Statements

March 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) *Fund accounting (continued)*

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.

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.

d) *Stewardship charge*

The General Fund charges a 1.75% stewardship charge per annum against the fund balances of the restricted funds, calculated and deducted quarterly.

ROSSBROOK HOUSE FOUNDATION INC.

Notes to the Financial Statements

March 31, 2023

4. GIFT FROM/TO ROSSBROOK HOUSE INC.

During the year, the Foundation received gifts from Rossbrook House Inc. of \$nil (2022 - \$nil). The Foundation gifted Rossbrook House Inc. for programs and operations \$799,600 (2022 - \$521,764).

5. INVESTMENTS

The investments are recorded at market value, with an original cost of \$2,495,647 (2022 - \$2,931,790), and are comprised as follows:

	<u>2023</u>	<u>2022</u>
Mutual funds		
Global Balanced fund	\$ 1,993,493	\$ 2,580,480
US Equity fund	494,162	483,586
Bond fund	203,653	205,924
	<hr/> \$ 2,691,308	<hr/> \$ 3,269,990

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 fiscal 2023.