

PAL OTTAWA
FINANCIAL STATEMENTS
DECEMBER 31, 2022

Independent Auditor's Report
Statement of Financial Position
Statement of Operations and Changes in Net Assets
Statement of Cash Flows
Notes to the Financial Statements



CHARTERED
PROFESSIONAL
ACCOUNTANTS

KELLY HUIBERS McNEELY

PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Members of PAL Ottawa

Qualified Opinion

We have audited the accompanying financial statements of PAL Ottawa ("the Organization"), which comprise the statement of financial position as at December 31, 2022, 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.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

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.

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, 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 revenue, net revenue, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at the beginning and the end of the years ended December 31, 2022 and 2021. The audit opinion on the financial statements for the year ended December 31, 2021 was also qualified because of the possible effects of this limitation in scope.

Other Matter

The financial statements of the Organization for the year ended December 31, 2021, were audited by another auditor who expressed a qualified opinion on those statements on June 28, 2022.

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

Management is responsible for the preparation and fair presentation of these 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 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.
- 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.

Kelly Huibers McNeely
Professional Corporation

Stittsville, Ontario
May 16, 2023

Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

PAL OTTAWA
STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 112,443	\$ 520,090
Accounts receivable	28,021	14,288
Prepaid expenses	3,311	2,567
	143,775	536,945
INVESTMENTS (note 3)	301,009	10,000
PAL OTTAWA FUND (note 4)	210,000	-
	\$ 654,784	\$ 546,945
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 27,433	\$ 16,061
Deferred revenue (note 5)	1,389	904
Deferred contributions (note 6)	10,000	17,594
	38,822	34,559
NET ASSETS	615,962	512,386
	\$ 654,784	\$ 546,945

APPROVED ON BEHALF OF THE BOARD

 Director

 Director

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

PAL OTTAWA

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2022

	2022	2021
REVENUE		
Memberships (note 5)	\$ 2,493	\$ 2,931
Donations	295,632	623,862
Grants and other restricted contributions (note 6)	-	24,188
Building fund (note 6)	7,594	15,133
Interest	<u>1,192</u>	<u>544</u>
	<u>306,911</u>	<u>666,658</u>
EXPENSES		
Program (Schedule)	4,208	32,545
Members, communications, and outreach (Schedule)	43,213	23,154
General and administrative (Schedule)	130,417	69,999
Fundraising	17,701	46,548
Housing project	<u>7,796</u>	<u>15,133</u>
	<u>203,335</u>	<u>187,379</u>
NET REVENUE	103,576	479,279
NET ASSETS - BEGINNING OF YEAR	512,386	33,107
NET ASSETS - END OF YEAR	<u>\$ 615,962</u>	<u>\$ 512,386</u>

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

PAL OTTAWA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue	\$ 103,576	\$ 479,279
Net change in non-cash working capital items:		
Accounts receivable	(13,733)	(11,384)
Prepaid expenses	(744)	(2,567)
Accounts payable and accrued liabilities	11,372	12,068
Deferred revenue	485	(856)
Deferred contributions	<u>(7,594)</u>	<u>(25,476)</u>
	<u>93,362</u>	<u>451,064</u>
INVESTING ACTIVITIES		
Purchase of investments, net	(291,009)	(10,000)
Contribution to PAL Ottawa Fund	<u>(210,000)</u>	<u>-</u>
	<u>(501,009)</u>	<u>(10,000)</u>
NET CHANGE IN CASH	(407,647)	441,064
CASH - BEGINNING OF YEAR	520,090	79,026
CASH - END OF YEAR	<u>\$ 112,443</u>	<u>\$ 520,090</u>

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

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

1. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Investments

Investments are recorded at cost plus accrued interest, which approximates fair value.

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-line basis over the twelve-month period in which the related services are provided. Amounts collected in advance are shown as deferred revenue.

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.

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 under general and administrative expenses, represent total expenses since no allocation has been made to the functions presented.

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.

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; and, provisions for accrued liabilities.

3. INVESTMENTS

The Organization's investments include guaranteed investment certificates earning interest at rates ranging from 3.50% to 4.65% per annum and mature in December 2023.

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

4. PAL OTTAWA FUND

The PAL Ottawa Fund ("the Fund") is held by the Ottawa Community Foundation. The purpose of the Fund is to support the charitable activities of the Organization, with the original contribution(s) to be held by the Fund indefinitely to earn investment income, which is then to be distributed to the Organization. Any distributions from the Fund will be recognized as revenue in the year it is received.

5. DEFERRED REVENUE

Deferred revenue represents amounts received for membership fees that relate to future periods. The continuity of deferred revenue for the year is as follows:

	Opening balance	Amounts received	Revenue recognized	Closing balance
Memberships	\$ 904	\$ 2,978	\$ (2,493)	\$ 1,389
	\$ 904	\$ 2,978	\$ (2,493)	\$ 1,389

6. DEFERRED CONTRIBUTIONS

Deferred grants and other restricted contributions, and building fund contributions represent the balance of restricted funding that has not been spent or earned as at year-end. The continuity of deferred contributions for the year is as follows:

	Opening balance	Amounts received	Revenue recognized	Closing balance
Grants and other restricted contributions	\$ 10,000	\$ -	\$ -	\$ 10,000
Building fund	7,594	-	(7,594)	-
	\$ 17,594	\$ -	\$ (7,594)	\$ 10,000

Certain restricted contributions recorded as grants and other restricted contributions, as set out in the statement of operations and changes in net assets, are subject to the approval of the various funders after their review of the Organization's financial reports and audited financial statements. Any request for repayment of contributions will be recorded in the year the funder provides notification to the Organization.

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

7. 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, 2022. 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 cancelable at the Organization's option on short notice.

8. 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, 2022.

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. Although not considered a significant risk, credit risk exists in relation to the Organization's cash, investments, and PAL Ottawa Fund.

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 and contributions set out in note 5 and 6 to these financial statements.

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.

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

8. FINANCIAL INSTRUMENTS RISKS AND CONCENTRATIONS (continued)

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. The Organization is not currently 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. Although not considered significant, the Organization is subject to interest rate risk on its fixed rate investments as set out in note 3 to these financial statements.

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, 2022.

PAL OTTAWA

SCHEDULE - EXPENSES

For the year ended December 31, 2022

	2022	2021
Program		
Artist and presenter fees	\$ -	\$ 23,047
Drivers	-	408
Office and other	375	530
Project management	3,833	6,533
Virtual exercises	-	2,027
	\$ 4,208	\$ 32,545
Members, communication and outreach		
Advertising and promotion	\$ 60	\$ 342
Office	21,619	2,487
Outreach coordinator	21,534	20,325
	\$ 43,213	\$ 23,154
General and administrative		
Insurance	\$ 1,347	\$ 1,631
Interest and bank charges	1,974	1,121
Meetings	2,230	459
Memberships, dues and licences	1,405	-
Office administrator	92,091	53,361
Office	503	719
Professional fees	24,748	10,637
Other contractors	6,119	2,071
	\$ 130,417	\$ 69,999