# RESTORE METHOD OF CARE CANADA

## FINANCIAL STATEMENTS

## JUNE 30, 2018

JENNIFER RADE
CHARTERED PROFESSIONAL ACCOUNTANT

# INDEPENDENT AUDITORS' REPORT

To the Directors of
Restore Method of Care Canada

I have audited the accompanying financial statements of Restore Method of Care Canada, which comprise the statement of financial position as at June 30, 2018 and the statements of income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility 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 organization, 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.

**Auditors' Responsibility**
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

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**Basis for Qualified Opinion**
In common with many charitable organizations, the organization derives revenue from donations, fundraising and training fees, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the organization and I was not able to determine whether any audit adjustments might be necessary to donations, fundraising and training fees, excess of revenue over expenses for the years ended June 30, 2018 and 2017, current assets and net assets as at June 30, 2018 and 2017. My audit opinion on the financial statements for the year ended June 30, 2017 was modified accordingly because of the possible effects of this limitation in scope.

**Qualified Opinion**
In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2018 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.

JRade

Markham, Ontario
August 29, 2018

Chartered Professional Accountant
Licensed Public Accountant

# RESTORE METHOD OF CARE CANADA

## STATEMENT OF FINANCIAL POSITION

## AS AT JUNE 30, 2018

| | 2018 | 2017 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT** | | |
| Cash | $ 58,225 | $ 42,504 |
| Founders account - cash (Note 3) | 51,474 | 73,950 |
| Accounts receivable | - | 70 |
| HST recoverable | 1,979 | 3,330 |
| Prepaid expenses | 1,040 | 1,143 |
| | $ 112,718 | $ 120,997 |
| **LIABILITIES** | | |
| **CURRENT** | | |
| Accounts payable | $ 13,634 | $ 4,769 |
| Government remittances payable | 1,919 | 1,211 |
| | 15,553 | 5,980 |
| **NET ASSETS** | | |
| Founders account - internally restricted (Note 3) | 51,474 | 73,950 |
| SCMA account - internally restricted (Note 4) | 14,574 | - |
| Unrestricted | 31,117 | 41,067 |
| | 97,165 | 115,017 |
| | $ 112,718 | $ 120,997 |

**APPROVED ON BEHALF OF THE BOARD:**

_____________________________ Director        _____________________________ Director

# RESTORE METHOD OF CARE CANADA

## STATEMENT OF OPERATIONS

## FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 | 2017 |
|---|---|---|
| **REVENUE** | | |
| Donations - individual | $ 32,953 | $ 92,958 |
| Donations - corporate | 11,220 | 47,631 |
| Fundraising | 35,949 | 49,703 |
| Training fees | - | 2,187 |
| Grants | 10,000 | - |
| | 90,122 | 192,479 |
| **EXPENSES** | | |
| Salaries, wages and benefits | 64,752 | 43,573 |
| Professional fees | 21,673 | 17,968 |
| Office and general | 6,722 | 2,945 |
| Fundraising | 4,925 | 9,575 |
| Telecommunication | 1,880 | 463 |
| Consulting fee | 1,870 | 3,131 |
| Travel | 1,581 | 1,685 |
| Donations | 1,396 | - |
| Insurance | 1,351 | 1,184 |
| Bank charges | 1,106 | 702 |
| Training materials | 291 | 105 |
| Equipment and facilities rentals | 277 | 95 |
| Advertising and promotion | 150 | - |
| | 107,974 | 81,426 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES** | (17,852) | $ 111,053 |

# RESTORE METHOD OF CARE CANADA

## STATEMENT OF CHANGES IN NET ASSETS

### FOR THE YEAR ENDED JUNE 30, 2018

| | Unrestricted | Founders (Note 3) | SCMA (Note 4) | Total |
|---|---|---|---|---|
| **NET ASSETS,** beginning of the year | $ 41,067 | $ 73,950 | $ - | $ 115,017 |
| Excess (deficiency) of revenues over expenses | (17,852) | - | - | (17,852) |
| Transfer to (from) internally restricted assets (Note 3 & 4) | 7,902 | (22,476) | 14,574 | - |
| **NET ASSETS,** end of the year | $ 31,117 | $ 51,474 | $ 14,574 | $ 97,165 |

### FOR THE YEAR ENDED JUNE 30, 2017

| | Unrestricted | Founders (Note 3) | SCMA (Note 4) | Total |
|---|---|---|---|---|
| **NET ASSETS**, beginning of the year | $ 3,964 | $ - | $ - | $ 3,964 |
| Excess (deficiency) of revenues over expenses | 111,053 | - | - | 150 |
| Transfer to (from) internally restricted assets (Note 3) | (73,950) | 73,950 | - | - |
| **NET ASSETS**, end of the year | $ 41,067 | $ 73,950 | $ - | $ 115,017 |

# RESTORE METHOD OF CARE CANADA

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED JUNE 30, 2018

| | 2018 | 2017 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Excess (deficiency) of revenues over expenses for the year | $ (17,852) | $ 111,053 |
| Changes in non-cash working capital balances related to operations: | | |
| Decrease in accounts receivable | 70 | 6,701 |
| Decrease (increase) in HST recoverable | 1,351 | (3,909) |
| Decrease (increase) in prepaid expenses | 103 | (1,143) |
| Increase (decrease) in accounts payable | 8,865 | (7,675) |
| Increase in government remittances payable | 708 | 3,842 |
| | 11,097 | (2,184) |
| Cash flows (used in) generated from operating activities | (6,755) | 108,869 |
| **CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR** | (6,755) | 108,869 |
| **CASH AND CASH EQUIVALENTS**, beginning of the year | 116,454 | 7,585 |
| **CASH AND CASH EQUIVALENTS**, end of the year | $ 109,699 | $ 116,454 |

### 1. PURPOSE OF THE ORGANIZATION

Restore Method of Care Canada (Restore) is a located in Markham Ontario. Restore believes that no one person is more important than another, and that our primary vocation is to look after each other; especially the poor and the marginalized. At Restore, the purpose is to improve the efficiency of other registered charities, with a specific, but not exclusive, focus on registered charities which advance the Christian faith, by providing expertise and training on charitable programs and access to required resources which will enable them to respond to those in the local community who are in physical, emotional or financial need, all of which is done by the Organization as a practical manifestation of the Christian faith. Restore Method of Care Canada commenced operations as a not-for-profit organization and received Charitable Status on April 4, 2016. Restore is a registered charity under the Income Tax Act and exempt from income taxes under the Income Tax Act of Canada.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations in Part III of the CPA Handbook and include the following significant accounting policies:

**Revenue Recognition**

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably determined and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Revenues from fundraising, grants, training fees and miscellaneous revenues are recognized as revenue when received and earned.

Donations are recognized when received.

**Contributed Services**

Volunteers contribute many hours per year to assist Restore Method of Care Canada in its operations. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, bank balances available, if any, after allocation to cheque's in transit, and highly liquid investments with an initial term of three months or less.

## 2. SIGNIFICANT ACCOUNTING POLICIES cont'd

### Use of Estimates

The presentation of financial statements requires the management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities to the date of the financial statements and the reported amounts of revenue and expenses for the year then ended. Actual results may differ from those estimates.

### Financial Instruments

The organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and cash equivalent.

The financial liabilities subsequently measured at amortized cost include accounts payable and accrued charges and taxes withheld.

## 3. FOUNDERS ACCOUNT - INTERNALLY RESTRICTED NET ASSETS

In September 2016 the Board of Directors created an internally restricted account called the Founders Account. The purpose of this account is to ensure the organization has adequate capital and financial security to attract the best people and partners and to provide support for multi-year growth initiatives. The account has a 3 year horizon, however, additional contributions are expected such that the account can provide financial security over a rolling 3 year period. These amounts will be maintained in a separate bank account.

During the year, the board transferred amounts totaling $9,720 into the account and then allocated $32,196 to the unrestricted net assets based on the rolling 36 month calculation, resulting in a net transfer of $22,476 for the year. The transfers are depleted over a 36 month period from the month after they are received.

## 4. SCMA ACCOUNT - INTERNALLY RESTRICTED NET ASSETS

In December 2017, the Board of Directors created an internally restricted account called the SCMA Account (Stouffville Church Ministerial Association). The purpose of this account is to ensure that all funds related to SCMA are used by a Restore program in Stouffville. Any residual funds will be transferred to an internally restricted account.

Income generated by fundraising activities, donations and expenses with respect to the work of the Care Coordinator for Restore programs in the Stouffville area are allocated to the SCMA account. SCMA may also request to use funds from this account for the purpose of supporting SCMA chuches who have made benevolence disbursements using the Restore Method of Care for the benefit of the Stouffville community.

Effective June 30, 2018 the Board transferred residual funds in the amount of $14,574 to the SCMA internally restricted account.

## 5. COMMITMENTS

Subsequent to the year end, Restore Method of Care Canada entered into an agreement with an organization to provide a review and update of the training materials. The proposal is in three phases with the initial phase costs of $3,600. Each phase will be contracted separately upon completion of the prior phase.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Organization's risk management policy is to reduce volatility in cash flow and earnings. The Board of Directors reviews the organization's risks on an regular basis. It is the Board's opinion that the Organization is not exposed to significant interest rate risk, credit risk or liquidity risk.

## 7. CAPITAL DISCLOSURES

The Organization's sole objective when managing capital is to ensure ongoing financial stability that will allow the Organization to continue as a going concern. The Board of Directors developed a capital strategy and oversee management of capital assets. The Organization seeks to maintain financial resources sufficient to withstand negative unexpected events which may have significant financial consequences for the organization's non-profit activities.

The Organization considers its capital to be the balances maintained in its unrestricted and internally restricted net assets.