

PAL Ottawa



Financial Statements
For the year ended December 31, 2021

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Independent Auditor's Report

**To the Members of
PAL Ottawa**

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Qualified Opinion

We have audited the financial statements of PAL Ottawa (the "Organization") which comprise the statement of financial position as at December 31, 2021, and the statements of operations, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations, 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. Our audit opinion on the financial statements for the year ended December 31, 2020 was also qualified because of the possible effects of this limitation in scope. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at the beginning and end of the December 31, 2021 and 2021 years.

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.

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.

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

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.

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.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
June 28, 2022
Ottawa, Ontario

PAL Ottawa
Statement of Financial Position

December 31	2021	2020
Assets		
Current		
Cash	\$ 520,090	\$ 79,026
Government remittances recoverable	14,288	2,904
Short-term investment (Note 1)	10,000	-
Prepaid expenses	2,567	-
	\$ 546,945	\$ 81,930
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 16,061	\$ 3,993
Deferred revenue (Note 2)	904	1,760
Deferred contributions (Note 3)	17,594	43,070
	34,559	48,823
Net assets		
Unrestricted	512,386	33,107
	\$ 546,945	\$ 81,930

On behalf of the Board of Directors:

Peter Haworth,
Chair

Donald Gibbons, CPA, CA
Treasurer

PAL Ottawa

Statement of Operations and Changes in Net Assets

For the year ended December 31	2021	2020
Revenue		
Memberships (Note 2)	\$ 2,931	\$ 2,357
Donations	623,862	35,535
Grants and other restricted contributions (Note 3)	24,188	112
Building fund revenues (Note 3)	15,133	6,238
Interest	544	29
	666,658	44,271
Expenses		
Program expenses (Schedule)	32,545	4,530
Members, communications and outreach (Schedule)	23,154	21,392
General and administrative expenses (Schedule)	69,999	22,415
Fundraising expenses	46,548	1,928
Housing project expenses	15,133	6,238
Grant expense (Note 4)	-	10,000
	187,379	66,503
Excess (deficiency) of revenue over expenses for the year	479,279	(22,232)
Net assets, beginning of year	33,107	55,339
Net assets, end of year	\$ 512,386	\$ 33,107

PAL Ottawa
Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from (used in) operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 479,279	\$ (22,232)
Changes in non-cash working capital balances		
Government remittances recoverable	(11,384)	12,389
Prepaid expenses	(2,567)	-
Accounts payable and accrued liabilities	12,068	335
Deferred revenue	(856)	718
Deferred contributions	(25,476)	41,320
	<u>451,064</u>	<u>32,530</u>
Cash flows used in investing activities		
Purchase of short-term investment (Note 1)	(10,000)	-
	<u>441,064</u>	<u>32,530</u>
Increase in cash during the year	441,064	32,530
Cash, beginning of year	79,026	46,496
Cash, end of year	\$ 520,090	\$ 79,026

PAL Ottawa

Summary of Significant Accounting Policies

December 31, 2021

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.
Basis of Presentation	These financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO") which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.
Use of Estimates	<p>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.</p> <p>Significant estimates include assumptions used in estimating: the amounts and collectibility of government remittances recoverable; the value of short-term investments; provisions for accrued liabilities; and estimating the amount of revenue earned or deferred, if any.</p>
Financial Instruments	<p>The Organization's financial instruments are financial assets or financial liabilities where, in general, the Organization has the right to receive cash or another financial asset from another party or the Organization has the obligation to pay another party cash or other financial assets.</p> <p><u>Measurement of financial instruments</u></p> <p>The Organization initially measures its arm's length financial assets and financial liabilities at fair value.</p> <p>The Organization subsequently measures all its arm's length financial assets and liabilities at amortized cost which for its short-term investment is cost plus accrued interest which approximates fair value. In addition equity and other instruments, if any, that are quoted in an active market, are measured at fair value. Changes in fair value are recognized in operations.</p> <p>Arm's length financial assets and liabilities measured at amortized cost include cash, government remittances recoverable, short-term investment, and accounts payable and accrued liabilities. There are no financial assets or financial liabilities measured at fair value. There are no related party financial assets or financial liabilities.</p>

PAL Ottawa

Summary of Significant Accounting Policies

December 31, 2021

Financial Instruments (continued)

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations as an expense. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The Organization recognizes its transaction costs in operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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

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.

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

PAL Ottawa
Summary of Significant Accounting Policies

December 31, 2021

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.

PAL Ottawa
Notes to Financial Statements

December 31, 2021

1. Short-Term Investments

During the year the Organization purchased a term deposit in the amount of \$10,000 which bears interest at an annual rate of 0.55% and matures February 11, 2022.

2. Deferred Membership Revenue

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

	2021	2020
Balance, beginning of year	\$ 1,760	\$ 1,042
Received during the year	2,075	3,075
Recognized as revenue for the year	(2,931)	(2,357)
Balance, end of year	\$ 904	\$ 1,760

3. Deferred Contributions

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

	2021	2020
Grants and other restricted contributions:		
Balance, beginning of year	\$ 24,188	\$ 1,750
Received during the year	10,000	22,550
Recognized as revenue for the year	(24,188)	(112)
Balance, end of year	10,000	24,188
Building Fund:		
Balance, beginning of year	18,882	-
Received during the year	3,845	25,120
Recognized as revenue for the year	(15,133)	(6,238)
Balance, end of year	7,594	18,882
	\$ 17,594	\$ 43,070

PAL Ottawa Notes to Financial Statements

December 31, 2021

3. **Deferred Contributions (continued)**

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.

4. **Grant Expense**

During the 2020 year, the Organization made a \$10,000 contribution to the Ottawa Community Foundation to establish the PAL Ottawa Fund. The purpose of this fund is to support the charitable activities of the Organization, with the original contribution to be held by the fund for 3 years, to earn investment income, and then to be distributed to the Organization. Any contributions received from the Ottawa Community Foundation from this fund will be recognized as revenue in the year it is received.

5. **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, 2021. 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 cancellable at the Organization's option on short notice.

6. **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, 2021.

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 credit risk, credit risk also exists in relation to the Organization's cash and short-term investment balances.

PAL Ottawa
Notes to Financial Statements

December 31, 2021

6. Financial Instruments Risks and Concentrations (continued)

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 contribution balances set out in Notes 2 and 3 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.

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. Certain of the Organization's revenue and expenses as well as its financial instruments are all in Canadian currency. Consequently, the Organization is not 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 short-term investment as set out in Note 1 to these financial statements. The cash accounts set out in these financial statements are non-interest bearing.

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, 2021.

7. Corresponding Amounts and Financial Disclosures

In certain instances, 2020 fiscal year corresponding amounts and financial disclosures presented have been reclassified to conform with the financial statement presentation and financial disclosures adopted for the 2021 fiscal year.

PAL Ottawa
Notes to Financial Statements

December 31, 2021

8. Uncertainty due to COVID-19

The duration and full financial impact of the COVID-19 pandemic is unknown at this time, as are any additional measures to be taken by governments, the Organization or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of this pandemic is subject to significant uncertainty and accordingly it is unknown whether COVID-19 may materially and adversely impact the Organization's operations, financial results and condition in future periods.

PAL Ottawa
Schedules of Expenses

For the year ended December 31	2021	2020
Program Expenses		
Artist and presenter fees	\$ 23,047	\$ -
Drivers	408	601
Office and other expenses	530	-
Project management	6,533	3,929
Virtual exercises	2,027	-
	<u>\$ 32,545</u>	<u>\$ 4,530</u>
Members, Communication and Outreach		
Advertising and promotion	\$ 342	\$ 538
Office expenses	2,487	762
Outreach co-ordinator	20,325	12,201
Development consultant	-	7,891
	<u>\$ 23,154</u>	<u>\$ 21,392</u>
General and Administrative Expenses		
Insurance	\$ 1,631	\$ 2,486
Interest and bank charges	1,121	496
Meetings	459	250
Memberships, dues and licenses	-	2,615
Office administrator	53,361	3,112
Office expenses	719	1,062
Professional fees	10,637	12,394
Other contractors	2,071	-
	<u>\$ 69,999</u>	<u>\$ 22,415</u>