

OUTSASKATOON INC.

Auditor's Report

Financial Statements

March 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Directors of **OUTSaskatoon Inc.**

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of OUTSaskatoon Inc., which comprise the statement of financial position as at **March 31, 2022** and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our 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 OUTSaskatoon Inc. as at **March 31, 2022**, and the statements of operations, changes in net assets and 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 non-profit organizations, the organization derives a portion of its revenue from the general public in the form of donations, sales, programs, memberships and funding activities, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to those amounts recorded in the organization's records and we were not able to determine whether any related adjustments might be necessary to associated revenue accounts, excess of revenues over expenditures, or current and net assets for the years ended **March 31, 2022** and **March 31, 2021**. Our audit opinion on the financial statements for the year ended March 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report. We are independent of OUTSaskatoon Inc. 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 of 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 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 entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and the use of the going concern basis of accounting unless management either intends to liquidate the entity or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibility 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 entity'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 entity'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 entity 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.

Saskatoon, Saskatchewan
August 11, 2022



Chartered Professional Accountants

OUTSASKATOON INC.

STATEMENT OF FINANCIAL POSITION

March 31, 2022

with comparative figures for 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 297,223	223,630
Accounts receivable	186,105	95,132
Inventory	11,261	5,276
Current portion of loan receivable (Note 4)	4,433	4,327
Prepaid expenses	<u>-</u>	<u>9,900</u>
Total current assets	499,022	338,265
Deposits	5,000	5,000
Loan receivable (Note 4)	8,022	12,455
Capital assets (Note 5)	87,515	89,637
Internally restricted cash (Note 6)	<u>5,092</u>	<u>5,081</u>
	<u>\$ 604,651</u>	<u>450,438</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Deferred revenue (Note 7)	\$ 20,000	30,650
Accounts payable and accrued liabilities	47,018	50,979
Wages payable	<u>6,583</u>	<u>6,776</u>
Total current liabilities	73,601	88,405
Deferred capital contributions (Note 8)	<u>16,350</u>	<u>24,150</u>
Total liabilities	89,951	112,555
Net assets:		
Net assets per accompanying statement	<u>514,700</u>	<u>337,883</u>
	<u>\$ 604,651</u>	<u>450,438</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

See accompanying notes to the financial statements.

OUTSASKATOON INC.
STATEMENT OF OPERATIONS

Year ended March 31, 2022
with comparative figures for 2021

	<u>2022</u>	<u>2021</u> (Restated) (Note 3)
Revenue:		
Corporate donations	\$ 160,904	159,195
Fundraising	132,541	107,673
Grants	1,298,564	877,088
Individual donations	48,682	41,556
Jordan's Principal	31,564	-
Miscellaneous	636	30
Pride Home contracts	173,405	57,820
Rent	<u>24,909</u>	<u>31,120</u>
	<u>1,871,205</u>	<u>1,274,482</u>
Expenses:		
Accounting fees	25,313	20,105
Amortization	33,089	29,991
Advertising and promotion	61,240	35,885
Bad debt expense	3,600	-
Business taxes, licences and memberships	18,997	15,331
Equipment rentals	8,898	9,024
Gala and fundraising	9,089	10,043
Honorariums	41,840	12,157
Insurance	7,580	4,071
Interest and bank charges	1,449	927
Office	22,335	6,161
Pride Home	48,242	28,345
Program expenses	82,947	68,226
Rental	85,459	81,310
Repairs and maintenance	5,509	7,576
Salaries and wages	1,084,563	807,562
Sub-contracts	61,323	81,920
Staff development	26,778	4,831
Supplies	17,833	2,164
Telephone	16,530	10,498
Travel	23,094	4,396
Utilities	<u>8,679</u>	<u>10,056</u>
	<u>1,694,387</u>	<u>1,250,579</u>
Earnings from operations	176,817	23,903
Gain on disposal of capital assets	<u>-</u>	<u>4,000</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 176,817</u>	<u>27,903</u>

See accompanying notes to the financial statements.

OUTSASKATOON INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2022
with comparative figures for 2021

		<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Internally Restricted Funds</u> (Note 6)	<u>2022 Total</u>	<u>2021 Total</u> (Restated) (Note 3)
Net assets, beginning of year	\$	65,486	267,316	5,081	337,883	309,980
Excess (deficiency) of revenues over expenditures		(25,289)	202,106	-	176,817	27,903
Transfers to internal reserve		-	(10)	10	-	-
Net assets, end of year	\$	<u>40,197</u>	<u>469,412</u>	<u>5,091</u>	<u>514,700</u>	<u>337,883</u>

See accompanying notes to the financial statements.

OUTSASKATOON INC.
STATEMENT OF CASH FLOWS

Year ended March 31, 2022
with comparative figures for 2021

	<u>2022</u>	<u>2021</u> (Restated) (Note 3)
Operating activities:		
Excess (deficiency) of revenues over expenditures	\$ 176,817	27,903
Items not involving an outlay of cash:		
Amortization	33,089	29,991
Gain on disposal of capital assets	<u>-</u>	<u>(4,000)</u>
	209,906	53,894
Changes in non-cash working capital:		
Accounts receivable	(90,974)	(13,713)
Inventory	(5,985)	(871)
Prepaid expenses	9,900	(5,104)
Accounts payable and accrued liabilities	(3,960)	35,973
Wages payable	(194)	(2,047)
Deferred revenue	(10,650)	(6,183)
Deferred capital contributions	(7,800)	(7,050)
Deposits	-	1,713
Transfer to internally restricted reserve	<u>(10)</u>	<u>(7)</u>
	<u>(109,673)</u>	<u>2,711</u>
	<u>100,233</u>	<u>56,605</u>
Investing activities:		
Additions to capital assets	(30,967)	-
Proceeds on disposal of capital assets	-	20,000
Loan receivable	<u>4,327</u>	<u>(16,782)</u>
	<u>(26,640)</u>	<u>3,218</u>
Financing activities:		
Short term debt	<u>-</u>	<u>(60,000)</u>
Increase (decrease) in cash during the year	73,593	(177)
Cash position, beginning of year	<u>223,630</u>	<u>223,807</u>
Cash position, end of year	<u>\$ 297,223</u>	<u>223,630</u>

Cash position is comprised of cash in bank less outstanding cheques.

See accompanying notes to the financial statements.

OUTSASKATOON INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

1. INCORPORATION

OUTSaskatoon Inc. is incorporated under the Non-profit Corporations Act of Saskatchewan. The Organization's mission is to support the equity of LGBTQ2S people, educate our larger community about inclusion, diversity, and acceptance, and connect with people and community organizations to provide referrals, services, and community programming. The Organization is exempt from tax as it is a non-profit organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following summary of significant accounting policies are set forth to facilitate the understanding of these financial statements:

(a) Financial instruments

- *Measurement of financial instruments*

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, accounts receivable, and loan receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and wages payable.

- *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. 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 net income.

- *Transaction costs*

The Organization recognizes its transaction costs in net income 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.

OUTSASKATOON INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Capital Assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Equipment	20%	- declining balance
Leasehold improvements	5 years	- straight line
Computer hardware	30-55%	- declining balance
Library	50%	- declining balance

In the year of acquisition, amortization is taken at one-half of the above rates.

(c) Measurement Uncertainty

The preparation of the 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 and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(d) 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. Unrestricted contributions are recognized as revenue when received or receivable if amount to be received can be reasonably estimated and collection is reasonably assured. Fundraising, rent and other revenue is recognized when it is earned and collection is reasonably assured.

3. CORRECTION OF AN ERROR

During the year, it was determined that in the prior year accounts receivable and grant revenue were understated. Funds received from grant agreements with the Government of Canada were not fully recorded.

Accounts receivable as of March 31, 2021 has increased by \$89,904, accounts payable increased by \$9,086, unrestricted net assets as of March 31, 2021 have increased by \$80,818, and revenue and excess of revenues over expenditures for the year ended March 31, 2021 have increased by \$84,165.

OUTSASKATOON INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

4. LOAN RECEIVABLE

	<u>2022</u>	<u>2021</u>
Loan receivable from Sexual Health Centre Saskatoon Inc., collected in monthly payments of \$391 including interest at 2.45%.	\$ 12,455	16,782
Less: current portion	<u>4,433</u>	<u>4,327</u>
	<u>\$ 8,022</u>	<u>12,455</u>

Principal payments due within each of the next three (3) years are as follows:

2023		\$ 4,433
2024		4,542
2025		3,480

5. CAPITAL ASSETS

		<u>2022</u>		<u>2021</u>
<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment	\$ 21,778	14,450	7,328	673
Leasehold improvements	158,345	89,799	68,546	87,195
Computer hardware	31,695	20,054	11,641	1,769
Library	<u>1,481</u>	<u>1,481</u>	<u>-</u>	<u>-</u>
	<u>\$ 213,299</u>	<u>125,784</u>	<u>87,515</u>	<u>89,637</u>

6. INTERNALLY RESTRICTED RESERVE

The Organization maintains an internally restricted reserve for the purposes of future operating or capital needs. The restricted cash balance is represented by a portion of their operating account dedicated to the reserve account.

7. DEFERRED REVENUE

Changes in the deferred revenue balance are as follows:

Balance, beginning of year	\$ 30,650
Plus: amount received in the year	20,000
Less: portion recognized in the current year	<u>(30,650)</u>
Balance, end of year	<u>\$ 20,000</u>

OUTSASKATOON INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions include the restricted portion of capital grants. In 2019, the Organization launched a campaign to raise funds for renovations to the new office space they would be occupying beginning in 2020. The deferred balance represents the remaining grant revenue to be recognized through 2024.

The changes for the year in the deferred capital contributions balance reported on the balance sheet are as follows:

Balance, beginning of year	\$	24,150
Received during the year		-
Recognized as revenue in current year		<u>(7,800)</u>
Balance, end of year	\$	<u>16,350</u>

9. LEASE COMMITMENTS

The Organization has entered into a new lease commitment for a building. There is an option to renew the lease on or before July 31, 2024. The rent commitment for the next 3 years is as follows:

2023	\$	60,000
2024	\$	60,000
2025	\$	50,000

10. 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 exposure and concentrations at March 31, 2022.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable.

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. The Organization's main credit risks relate to its accounts receivables and notes receivable. The Organization provides credit to its clients in the normal course of its operations.

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. The Organization is not exposed to significant market risk.