



# OUTSaskatoon Inc.

## 2022-23 Audited Financial Statements

### Background

The Audited Financial Statements (AFS) for the fiscal period of April 1, 2022 to March 31, 2023 show a very different picture from the previous fiscal year. The auditor's report indicates that it is a qualified audit. This means the auditor had some concerns with information received during the audit process. The basis for the qualified opinion was due to the following:

1. The organization receives a portion of its revenue through donations and fundraising from the public, over which it is difficult for the auditor to assure completeness. This qualification is common for non-profit organizations and is consistent with OUTSaskatoon's previous AFS.
2. There was a lack of detail in the documentation, coding, and reporting of some of the organization's revenue and expenses. This lack of clear and consistent financial reporting is one of the root causes of the financial crisis the organization faced towards the end of the 2022-23 fiscal year.

In February 2023, the Board of Directors learned that OUTSaskatoon was in financial trouble and that it had not been receiving accurate financial information. Revenue was down and the organization would not have sufficient revenue to cover projected expenses. This resulted in an over-expenditures of \$170,442. In the previous fiscal year the organization had an excess of revenue equaling \$176,817.

Going through the AFS, we can see from the "Statement of Financial Position", page 3, a significant decrease in cash from fiscal 2022 to 2023. This is evidence of the crisis faced by the organization in February 2023. The cash position is lower because less income was received in the 2022-23 fiscal year as compared to the 2021-22 fiscal year, and expenses were higher. Given less cash in the 2022-23 fiscal year, OUTSaskatoon's total current assets decreased by \$168,240. The organization also finished the year with a number of outstanding Accounts Receivable. A further explanation of the Accounts Receivable is contained in note 3 on page 8.

Moving to the "Statement of Operations" on page 4, again the audit shows that things are very different from the previous year. The revenue earned over the 2022-23 fiscal year was \$1,716,729, which is much lower than expenditures of \$1,887,170. There are significant decreases in corporate donations, fundraising, and grants, which again, supports the financial crisis the organization found itself in as it neared year-end. The significant increase in individual donations is primarily due to a one-time bequeathment of \$143,000.



Looking at the expenses on this page, you will note that OUTSaskatoon has very high accounting fees and that is because the organization's accounting systems and processes have not been sufficient to enable the annual audits to take place without a significant amount of time and effort by the audit firm. The audit fees are very high given the size of the organization's budget. As well, the work involved in being able to produce the AFS has been very intense because of inadequate financial policies and procedures. Significant steps have been taken to repair the situation and substantial improvements are already underway.

The advertising and promotion costs were much lower in the year ending March 31, 2023 because outdoor advertising that occurred in the previous year related to a grant did not occur in the last fiscal year. The costs of sales increased significantly due to merchandise purchasing. The gala and fundraising costs were much higher in 2022-23 because OUTSaskatoon was finally able to go ahead with a number of in-person events that were not possible in 2021-22 because of COVID restrictions.

Another significant increase in expenses was in salaries and wages. Additional staff were hired yet there was not an increase in off-setting revenue. When COVID-19 and other grants ended, there were several staff that were kept on past their granting periods without new funding for their positions. This contributed to why, unfortunately, the board had to lay off a number of staff toward the end of the fiscal year.

Regarding cash flow, on April 1, 2022, the bank balance was \$350,114. When the board was alerted to the financial crisis, the bank balance was \$44,134 and it was clear the organization could not cover upcoming payroll and other expense obligations. Significant cost reduction and fundraising efforts were undertaken immediately. On March 31, 2023, the bank balance was \$164,767. At the time of writing this report on July 29, 2023, the bank balance is \$394,356.

We have balanced the budget for the 2023-24 fiscal year and there are no major upcoming planned expenses. Management and the Board will be concentrating on meaningful and sizable grants, a Board fundraising committee, cost saving measures, improved financial reporting, and ensuring that staff, the ED, and Board work together in streamlining the organization.