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**SASKATOON FRIENDSHIP INN**  
**FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED JUNE 30, 2016**

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**Heagy Altrogge Matchett & Partners LLP**  
CHARTERED PROFESSIONAL ACCOUNTANTS

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# Heagy Altrogge Matchett & Partners LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
Saskatoon Friendship Inn

We have audited the accompanying financial statements of Saskatoon Friendship Inn (the "Inn"), which comprise the statement of financial position as at June 30, 2016 and the statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended along with the summary of significant accounting policies, schedules 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 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 auditors' judgment, including the assessment of 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 Inn'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 Inn'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

### **Basis for Qualified Opinion**

In common with many charitable organizations, the Inn derives revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of revenue was limited to the amounts recorded in the records of the Inn and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year, assets and unrestricted net assets.

### **Qualified Opinion**

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 Saskatoon Friendship Inn as at June 30, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in cursive script that reads "Heagy Altrogge Matchett & Partners LLP".

CHARTERED PROFESSIONAL ACCOUNTANTS  
September 28, 2016

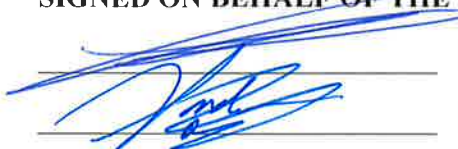
# SASKATOON FRIENDSHIP INN

## STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30

	General Fund \$	Capital Fund \$	Total 2016 \$	Total 2015 \$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	354,536	-	354,536	492,541
Term deposits (note 3)	300,123	-	300,123	-
Marketable securities	-	100	100	50
Accounts receivable (note 4)	5,759	-	5,759	2,441
Inventory	500	-	500	500
Prepaid expenditures	1,999	-	1,999	3,103
Interfund balance	(49,900)	49,900	-	-
	613,017	50,000	663,017	498,635
<b>TANGIBLE CAPITAL ASSETS</b>				
(note 5)	-	1,958,334	1,958,334	2,089,606
	613,017	2,008,334	2,621,351	2,588,241
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Bank demand loan	-	-	-	21,260
Accounts payable and accrued liabilities	25,813	-	25,813	27,702
Deferred revenue	27,840	-	27,840	24,150
	53,653	-	53,653	73,112
<b>FUND BALANCES</b>				
<b>INVESTED IN TANGIBLE CAPITAL ASSETS</b>	-	1,958,334	1,958,334	2,068,346
<b>EXTERNALLY RESTRICTED</b> (note 6)	-	-	-	5,648
<b>INTERNALLY RESTRICTED</b> (note 7)	250,000	50,000	300,000	120,000
<b>UNRESTRICTED</b>	309,364	-	309,364	321,135
	559,364	2,008,334	2,567,698	2,515,129
	613,017	2,008,334	2,621,351	2,588,241

**SIGNED ON BEHALF OF THE BOARD**

  
 \_\_\_\_\_ Director  
 \_\_\_\_\_ Director

## SASKATOON FRIENDSHIP INN

### STATEMENT OF CHANGES IN FUND BALANCES

FOR THE YEAR ENDED  
JUNE 30

	General Fund \$	Capital Fund \$	Total 2016 \$	Total 2015 \$
<b>BALANCE - BEGINNING OF YEAR</b>	441,135	2,073,994	<b>2,515,129</b>	<b>2,265,284</b>
Excess (deficiency) of revenue over expenditures for the year	182,941	(130,372)	<b>52,569</b>	<b>249,845</b>
Purchase of tangible capital assets	(6,874)	6,874	-	-
Transfer to capital fund (note 6)	(7,838)	7,838	-	-
Interfund transfers (note 7)	(50,000)	50,000	-	-
<b>BALANCE - END OF YEAR</b>	<b>559,364</b>	<b>2,008,334</b>	<b>2,567,698</b>	<b>2,515,129</b>
<b>FUND BALANCES CONSISTS OF:</b>				
Invested in tangible capital assets	-	1,958,334	<b>1,958,334</b>	<b>2,068,346</b>
Externally restricted (note 6)	-	-	-	<b>5,648</b>
Internally restricted (note 7)	250,000	50,000	<b>300,000</b>	<b>120,000</b>
Unrestricted	309,364	-	<b>309,364</b>	<b>321,135</b>
	<b>559,364</b>	<b>2,008,334</b>	<b>2,567,698</b>	<b>2,515,129</b>

# SASKATOON FRIENDSHIP INN

## STATEMENT OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED  
JUNE 30

	General Fund \$	Capital Fund \$	Total 2016 \$	Total 2015 \$
<b>REVENUE</b>				
Donations	644,823	-	644,823	759,242
Grants (schedule)	246,018	-	246,018	252,203
Special events and fundraising	81,310	-	81,310	83,940
Donations - gifts in kind	40,549	-	40,549	62,863
Donations - bequests	10,317	-	10,317	-
Donations - capital building	-	7,724	7,724	115,213
Miscellaneous	6,187	-	6,187	5,670
Interest income	123	-	123	-
	1,029,327	7,724	1,037,051	1,279,131
<b>EXPENDITURES</b>				
Salaries	479,552	-	479,552	492,342
Employee benefits	77,600	-	77,600	87,539
Utilities	52,718	-	52,718	52,783
Kitchen and janitorial supplies	45,106	-	45,106	40,496
Gifts in kind - food	40,549	-	40,549	62,863
Laundry	21,157	-	21,157	18,750
Repairs and maintenance	19,746	-	19,746	21,009
Office	17,283	-	17,283	13,066
Communications	17,218	-	17,218	22,568
Insurance	16,684	-	16,684	16,392
Vehicle	10,690	-	10,690	8,918
Telephone	9,995	-	9,995	8,962
Professional fees	9,836	-	9,836	13,353
Fundraising	8,596	-	8,596	6,717
Training	6,405	-	6,405	5,207
Postage and courier	6,336	-	6,336	8,839
Interest and bank charges	3,105	-	3,105	5,938
Food purchases	2,821	-	2,821	3,842
Staff uniforms	448	-	448	818
Memberships, licences and permits	441	-	441	1,095
Honorarium and presentations	100	-	100	80
	846,386	-	846,386	891,577
	182,941	7,724	190,665	387,554
<b>OTHER EXPENDITURES</b>				
Depreciation	-	(138,146)	(138,146)	(137,459)
Unrealized gain (loss) on marketable securities	-	50	50	(250)
	-	(138,096)	(138,096)	(137,709)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>				
	182,941	(130,372)	52,569	249,845

## SASKATOON FRIENDSHIP INN

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED  
JUNE 30

	General Fund \$	Capital Fund \$	Total 2016 \$	Total 2015 \$
<b>OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenue over expenditures for the year	182,941	(130,372)	52,569	249,845
Items not affecting cash -				
Depreciation	-	138,146	138,146	137,459
Unrealized (gain) loss on marketable securities	-	(50)	(50)	250
	182,941	7,724	190,665	387,554
Changes in non-cash working capital items -				
Accounts receivable	(3,318)	-	(3,318)	3,746
Prepaid expenditures	1,104	-	1,104	515
Accounts payable and accrued liabilities	(1,889)	-	(1,889)	5,624
Deferred revenue	3,690	-	3,690	18,504
Interfund balance	44,302	(44,302)	-	-
Cash Provided By (Used In) Operating Activities	226,830	(36,578)	190,252	415,943
<b>FINANCING ACTIVITIES</b>				
Repayment of bank demand loan	-	(21,260)	(21,260)	(134,740)
Cash Used In Financing Activities	-	(21,260)	(21,260)	(134,740)
<b>INVESTING ACTIVITIES</b>				
Purchase of term deposits	(300,000)	-	(300,000)	-
Interest income reinvested	(123)	-	(123)	-
Purchase of tangible capital assets	(6,874)	-	(6,874)	(1,625)
Cash Used In Investing Activities	(306,997)	-	(306,997)	(1,625)
<b>INTERFUND TRANSFERS</b>	(57,838)	57,838	-	-
<b>INCREASE (DECREASE) IN CASH POSITION</b>	(138,005)	-	(138,005)	279,578
<b>CASH POSITION - BEGINNING OF YEAR</b>	492,541	-	492,541	212,963
<b>CASH POSITION - END OF YEAR</b>	354,536	-	354,536	492,541

# SASKATOON FRIENDSHIP INN

## SCHEDULE OF GRANT REVENUES

FOR THE YEAR ENDED  
JUNE 30

	2016	2015
	\$	\$
United Way grant	133,550	137,100
Government of Saskatchewan grant	68,257	67,876
City of Saskatoon grant	24,150	24,150
Other grants	17,961	11,600
Saskatoon Community Foundation grant	2,100	11,477
	<b>246,018</b>	<b>252,203</b>



**1. ORGANIZATION**

The Saskatoon Friendship Inn (the "Inn") was incorporated in 1969 under the Non-Profit Corporations Act of Saskatchewan. The Inn exists to support families and individuals in need in the Saskatoon area. The Saskatoon Friendship Inn provides regular meal service, direct advocacy, referral assistance and individual and group support programming to help people help themselves and each other. The Saskatoon Friendship Inn encourages solutions to poverty in Saskatoon through public education and community development.

The Saskatoon Friendship Inn is a registered charitable organization and is exempt from income taxes under the Canadian Income Tax Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

***Financial Instruments***

The Inn initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Inn subsequently measures all 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 excess (deficiency) of revenue over expenditures for the year.

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

Financial liabilities measured at amortized cost include bank demand loan and accounts payable and accrued liabilities.

Financial assets measured at fair value include marketable securities.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in excess (deficiency) of revenue over expenditures for the year. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting an 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 excess (deficiency) of revenue over expenditures for the year.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)*****Tangible Capital Assets and Depreciation***

Tangible capital assets are recorded at cost and amortized over their estimated useful lives. This requires estimation of the useful life of the asset and its salvage and residual value. When management considers that a tangible capital asset no longer contributes to the Inn's ability to provide services, its carrying amount is written down to its residual value. As is true of all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

Depreciation of tangible capital assets is calculated using the straight-line method at the following annual rates:

Buildings	5%
Building improvements	10%
Equipment and furnishings	10%
Vehicles	10%
Computer equipment	20%
Computer software	20%

Depreciation on assets acquired during the year is recorded at the full annual rate. There is no depreciation recorded in the year of disposal.

***Fund Accounting*****General Fund**

The general fund accounts for the Inn's program delivery and administrative activities. This fund reports unrestricted resources, internally restricted resources (including the operating reserve - see note 7) and restricted operating grants.

**Capital Fund**

The capital fund reports assets, liabilities, revenue and expenditures related to the Inn's tangible capital assets. This fund reports internally restricted resources (including the capital reserve - see note 7) and restricted resources related to the capital activity.

***Revenue Recognition***

Saskatoon Friendship Inn follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the general fund in the year in which the related expenditures are incurred. All other restricted contributions are recognized as revenue of the appropriate fund.

Unrestricted contributions are recognized as revenue of the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

# SASKATOON FRIENDSHIP INN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant revenue is recognized as revenue of the related fund in the year that the terms of the granting agreement have been met if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fundraising revenue is recognized as revenue of the general fund when the fundraising activity is held and collection is reasonably assured.

### *Donated Food, Materials and Services*

The Inn benefits from the donation of food, materials and services from its members and other members of the community. Only when the fair value of donated materials can be reasonably estimated and would have otherwise been purchased are the amounts recorded. These financial statements do not reflect the value of donated services since a fair value cannot be reasonably estimated.

### *Use of Estimates*

The preparation of the financial statements in conformity 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 expenditures during the year. Significant items subject to estimate and assumption include the estimated useful lives of tangible capital assets. Actual results could differ from estimates.

## 3. TERM DEPOSITS

	2016	2015
	\$	\$
0.1% First Nations Bank GIC, matures August 28, 2016	120,091	-
0.1% First Nations Bank GIC, matures August 7, 2016	130,032	-
0.2% First Nations Bank GIC, matures January 3, 2017	50,000	-
	<hr/>	<hr/>
	300,123	-

## 4. ACCOUNTS RECEIVABLE

	2016	2015
	\$	\$
Trade receivables	935	350
GST receivable	4,824	2,091
	<hr/>	<hr/>
	5,759	2,441

# SASKATOON FRIENDSHIP INN

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2016

## 5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated	Net Book Value	
	\$	Depreciation	2016	2015
	\$	\$	\$	\$
Land	361,198	-	361,198	361,198
Buildings	1,926,158	481,540	1,444,618	1,540,926
Building improvements	365,026	364,285	741	8,330
Equipment and furnishings	397,142	254,430	142,712	166,909
Vehicles	29,432	20,602	8,830	11,773
Computer equipment	16,598	16,363	235	470
Computer software	10,609	10,609	-	-
	3,106,163	1,147,829	1,958,334	2,089,606

## 6. EXTERNALLY RESTRICTED - CAPITAL

	2016	2015
	\$	\$
Balance - beginning of year	5,648	47,195
Capital building donations	7,724	115,213
Donations - capital	-	864
Repayment of bank loan	(21,260)	(134,740)
Tangible capital asset purchases	-	(1,625)
Unrealized loss on marketable securities	50	(250)
Repairs and maintenance charged to capital fund	-	(21,009)
Transfer from general fund	7,838	-
Balance - end of year	-	5,648

The board passed a motion to transfer \$7,838 from the general fund to the externally restricted capital fund for the 2015 fiscal year.

## 7. INTERNALLY RESTRICTED RESERVES

### Operating Reserve

The purpose of the reserve is to support the Inn in times of financial uncertainty. The size of the reserve will be assessed annually at the time of the annual budgeting process. Access to the funds allocated to the reserve requires approval from the board of directors. The specific purposes would include but are not limited to the following:

- a) Disaster response regarding temporary relocation, emergency staffing or responding to legal action,
- b) Temporary shortfall of donations or a significant increase in costs, and
- c) Costs to wind up the organization if it were to dissolve.

During the year, the board approved a transfer of \$130,000 (2015 - \$120,000) from unrestricted funds to the internally restricted operating reserve.

**7. INTERNALLY RESTRICTED RESERVES (continued)**

## Capital Reserve

The purpose of the reserve is meet any unexpected or unbudgeted capital requirements.

During the year, the board approved a transfer of \$50,000 from the unrestricted general funds to the internally restricted capital reserve.

**8. EMPLOYEE BENEFIT OBLIGATIONS**

The Inn is part of a multi-employer pension plan for its eligible staff. The pension plan is a defined contribution plan. The amount of income available at retirement will depend upon the plan member's contribution, the plan member's employer contribution and investment income earned during the period of the member's employment. Members can contribute a range of 2 to 4% of their salary which will be matched by the Inn.

**9. FINANCIAL RISK**

The Inn is subject to market risk and interest rate risk on its investments. Management has attempted to minimize this risk by buying term deposits with a guaranteed principal amount and a fixed interest rate.