

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

Financial Statements
for the Year Ended May 31, 2023
and Independent Auditor's Report to the Directors

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.
FINANCIAL STATEMENTS
MAY 31, 2023

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CHARTERED
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INDEPENDENT AUDITOR'S REPORT

**To the Directors of
Project S.H.A.R.E. of Niagara Falls Inc.:**

Qualified Opinion

We have audited the accompanying financial statements of Project S.H.A.R.E. of Niagara Falls Inc. (the Organization), which comprise the statement of financial position as at May 31, 2023 and the statements of operations and fund balances and changes in fund balances and of 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 matters described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Organization as at May 31, 2023, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising and 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. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended May 31, 2023 and 2022, current assets as at May 31, 2023 and 2022, and fund balances as at June 1 and May 31 for both the 2023 and 2022 years.

We were also unable to verify the amount of revenue from contributed materials or the amount of expense of contributed materials distributed to clients as we were unable to observe the counting of contributed materials as received or distributed. We were unable to verify the balance by alternate means. Therefore, we were not able to determine whether any adjustments might be necessary to contributed materials or contributed materials distributed to clients for the year ended May 31, 2023.

Our audit opinion on the financial statements for the year ended May 31, 2022 was modified accordingly because of the possible effects of these 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 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 in our audit 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 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 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 Entity or to 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 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.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

August 23, 2023

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.STATEMENT OF OPERATIONS AND FUND BALANCES
YEAR ENDED MAY 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Amortization of deferred contributions (Note 5)	\$ 56,158	\$ 54,715
Bingo	15,777	9,156
Community Garden programs	8,663	21,772
Contributed materials	3,856,629	2,775,000
COVID-19 grants	124,678	136,803
Donations and fundraising	1,028,017	880,036
Federal grant	17,564	8,975
Healthy Communities programs	96,419	74,099
Miscellaneous	6,944	9,603
Municipal grant	298,400	298,400
Nevada ticket sales	95	1,005
Niagara Region - Housing Stability	101,701	101,195
Other grants	118,548	190,200
Utilities programs	174,274	124,279
	<u>5,903,867</u>	<u>4,685,238</u>
EXPENSES		
Client services	1,088,342	802,909
Contributed materials distributed to clients	3,850,032	3,075,523
Depreciation	84,687	91,307
Donations and fundraising	115,128	129,926
Insurance	17,222	16,531
Maintenance	44,326	34,181
Nevada ticket sales	-	513
Occupancy costs	85,875	82,676
Office	127,003	94,509
Professional fees	14,032	21,998
Salaries and benefits	396,664	373,466
Vehicle expense	13,730	9,496
	<u>5,837,041</u>	<u>4,733,035</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER INCOME	<u>66,826</u>	<u>(47,797)</u>
OTHER INCOME (EXPENSES)		
Interest income	10,576	9,334
Unrealized gain (loss) on temporary investments	373	(417)
	<u>10,949</u>	<u>8,917</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	77,775	(38,880)
FUND BALANCES, BEGINNING OF YEAR	<u>2,168,264</u>	<u>2,207,144</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,246,039</u>	<u>\$ 2,168,264</u>

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

STATEMENT OF CHANGES IN FUND BALANCES YEAR ENDED MAY 31, 2023

	Operating Fund	Capital Assets Fund	Internally Restricted Fund	Total 2023	Total 2022
FUND BALANCES, BEGINNING OF THE YEAR	\$ 1,169,991	\$ 215,154	\$ 783,119	\$ 2,168,264	\$ 2,207,144
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	106,304	(28,529)	-	77,775	(38,880)
PURCHASE OF CAPITAL ASSETS	(11,384)	11,384	-	-	-
FUND BALANCES, END OF THE YEAR	\$ 1,264,911	\$ 198,009	\$ 783,119	\$ 2,246,039	\$ 2,168,264

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

BALANCE SHEET
MAY 31, 2023

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash - operating fund	\$ 389,520	\$ 229,583
Cash - internally restricted fund	783,119	783,119
Temporary investments (Note 2)	755,726	746,395
Accounts receivable	19,379	15,529
Inventory (Note 3)	333,725	256,864
Prepaid expenses	26,969	55,071
Due from capital fund	10,874	10,875
	2,319,312	2,097,436
Property, equipment and vehicles (Note 4)	673,068	713,237
	\$ 2,992,380	\$ 2,810,673
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges, including government remittances of \$2,691 (2022 - \$1,608)	\$ 63,457	\$ 33,144
Due to operating fund	10,874	10,875
Deferred revenue	207,825	111,182
	282,156	155,201
Deferred contributions (Note 5)	464,185	487,208
Lease commitments (Note 7)	746,341	642,409
	2,246,039	2,168,264
FUND BALANCES		
Operating fund	1,264,911	1,169,991
Capital assets fund	198,009	215,154
Internally restricted fund (Note 6)	783,119	783,119
	2,246,039	2,168,264
	\$ 2,992,380	\$ 2,810,673

Approved by the Board:

..... Director

..... Director

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 77,775	\$ (38,880)
Items not affecting cash		
Depreciation	84,687	91,307
Amortization of deferred contributions	(56,158)	(54,715)
Unrealized loss (gain) on temporary investments	(373)	417
	105,931	(1,871)
Changes in non-cash operating assets and liabilities		
Accounts receivable	(3,850)	7,502
Prepaid expenses	28,102	(45,314)
Inventory	(76,861)	311,986
Accounts payable and accrued charges	30,313	2,713
Deferred revenue	96,643	(114,047)
	180,278	160,969
INVESTING ACTIVITIES		
Purchase of property, equipment and vehicles		
Building	(34,451)	(15,603)
Computers	(1,102)	(5,133)
Furniture and equipment	(8,965)	(9,524)
Shelves	-	(1,314)
Increase in temporary investments	(8,958)	(7,950)
	(53,476)	(39,524)
FINANCING ACTIVITY		
Deferred contributions for property, equipment and vehicles	33,135	12,332
	159,937	133,777
INCREASE IN CASH	159,937	133,777
CASH, BEGINNING OF YEAR	1,012,702	878,925
CASH, END OF YEAR	\$ 1,172,639	\$ 1,012,702
CASH IS REPRESENTED BY:		
Cash - operating fund	\$ 389,520	\$ 229,583
Cash - internally restricted fund	783,119	783,119
	\$ 1,172,639	\$ 1,012,702

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Nature of operations

The Organization is incorporated without share capital under the Ontario Business Corporations Act as a non-profit corporation. The Organization operates a food bank, a housing help centre and an emergency/crisis intervention program for the City of Niagara Falls. The Organization is a registered charity and is exempt from tax under Section 149(1)(1) of the Income Tax Act of Canada.

Basis of presentation

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. The following funds are maintained by the Organization:

Operating fund

Reflects unappropriated resources and is used to account for revenues and expenses related to program delivery and administration activities.

Capital assets fund

Reflects the amortization of deferred contributions designated to purchase the Organization's operating location and unappropriated resources used to purchase capital assets.

Internally restricted fund

Reflects appropriated resources for food purchases, payment of liabilities and capital purchases that are internally restricted and are not available for unrestricted purposes without approval of the Board of Directors.

Revenue recognition

The Organization recognizes restricted contributions as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when the amount can be reasonably estimated and ultimate collection is reasonably assured.

Interest income is recognized when earned, dividends when declared and investment gains and losses when realized or based on fair value on the balance sheet date for temporary investments.

Inventory

Inventory is valued at the estimated fair value of the goods upon acquisition. This represents the amount the Organization would need to pay to acquire the goods if this was necessary to achieve the objectives of the organization.

Deferred revenue

Cash received prior to year end for expenditures or events in a subsequent year is recorded as deferred revenue.

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

Property, equipment and vehicles

Property, equipment and vehicles are recorded at acquisition cost. Depreciation on the property, equipment and vehicles is calculated using the straight-line method over its estimated useful lives as follows:

Building	40 years
Computers	3 years
Furniture and equipment	5 years
Vehicles	4 years
Shelves	10 years
Leasehold improvements	5 years

Long-lived assets

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Financial instruments

(a) Measurement of financial instruments

Initial measurement

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the organization in the transaction.

Subsequent measurement

The Organization subsequently measures all its financial assets and liabilities at cost or 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 income in the period incurred.

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

Financial assets measured at fair value include temporary investments.

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

(b) Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

(c) Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there are, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be 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 income.

Use of estimates

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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as impairment of long-lived assets, determination of useful lives of property, equipment and vehicles, revenue recognition, inventory, allowances for accounts receivable, accrued charges and contingent liabilities.

Contributed services and materials

The Organization relies on varying levels of volunteer work to assist in carrying out its activities. Due to the difficulty in estimating the fair value of contributed services, no amounts for contributed services are recognized in the financial statements.

The Organization receives and distributes a significant amount of contributed materials such as food, toys, clothing and school supplies. The volume of contributed materials received in the year was 1,113,777 pounds (2022 - 1,037,122 pounds) and the volume of contributed materials that was distributed to clients in the year was 1,099,907 pounds (2022 - 1,091,241 pounds). These contributed materials are reflected in the financial statements at fair value at the date of contribution. Food, toys and clothing, and school supplies are valued at \$3.21 per pound, \$15.00 per pound, and \$4.15 per pound respectively, based on estimated values used by similar organizations.

2. TEMPORARY INVESTMENTS

	<u>2023</u>	<u>2022</u>
Guaranteed investment certificate, maturity date February 2024	\$ 323,892	\$ 320,051
Guaranteed investment certificate, maturity date March 2024	245,795	242,880
Guaranteed investment certificate, maturity date August 2024	107,422	106,148
Guaranteed investment certificate, maturity date September 2024	78,244	77,316
Credential securities	373	-
	<u>\$ 755,726</u>	<u>\$ 746,395</u>

The guaranteed investment certificates bear interest at a rate of 1.20%.

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

3. INVENTORY

	<u>2023</u>	<u>2022</u>
Food	\$ 277,524	\$ 209,734
Toys and clothing	56,201	47,130
	\$ 333,725	\$ 256,864

4. PROPERTY, EQUIPMENT AND VEHICLES

	<u>2023</u>		<u>2022</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Building	\$ 897,483	\$ 336,404	\$ 863,032	\$ 311,182
Computers	45,805	40,451	44,703	35,837
Furniture and equipment	312,335	239,212	303,370	208,321
Vehicles	185,784	159,907	185,784	140,500
Shelves	37,852	30,515	37,852	29,539
Leasehold improvements	9,868	9,570	9,868	5,993
	1,489,127	816,059	1,444,609	731,372
Net book value		\$ 673,068		\$ 713,237

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2023

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent funds received or designated to purchase specific capital assets. The funds are being amortized on the same basis as the related capital asset.

	<u>2023</u>	<u>2022</u>
<i>Building - 2-4129 Stanley Avenue</i>		
Balance, beginning of the year	\$ 395,414	\$ 415,212
Contributions received during the year	24,426	-
Amortization	<u>(20,049)</u>	<u>(19,798)</u>
Balance, end of the year	<u>399,791</u>	<u>395,414</u>
<i>Vehicles</i>		
Balance, beginning of the year	35,290	50,414
Amortization	<u>(15,124)</u>	<u>(15,124)</u>
Balance, end of year	<u>20,166</u>	<u>35,290</u>
<i>Equipment - Various</i>		
Balance, beginning of the year	43,373	49,500
Contributions received during the year	7,789	8,442
Amortization	<u>(15,360)</u>	<u>(14,569)</u>
Balance, end of year	<u>35,802</u>	<u>43,373</u>
<i>Computers</i>		
Balance, beginning of the year	5,673	3,674
Contributions received during the year	920	3,890
Amortization	<u>(2,292)</u>	<u>(1,891)</u>
Balance, end of year	<u>4,301</u>	<u>5,673</u>
<i>Shelving</i>		
Balance, beginning of the year	4,450	5,006
Amortization	<u>(556)</u>	<u>(556)</u>
Balance, end of year	<u>3,894</u>	<u>4,450</u>
<i>Leasehold Improvements</i>		
Balance, beginning of the year	3,008	5,785
Amortization	<u>(2,777)</u>	<u>(2,777)</u>
Balance, end of year	<u>231</u>	<u>3,008</u>
	<u>\$ 464,185</u>	<u>\$ 487,208</u>

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2023

6. INTERNALLY RESTRICTED FUND

The Organization's appropriated funds have been allocated to the following future expenditures:

	<u>2023</u>	<u>2022</u>
Food purchases	\$ 410,000	\$ 410,000
Capital assets	<u>373,119</u>	<u>373,119</u>
	<u>\$ 783,119</u>	<u>\$ 783,119</u>

7. LEASE COMMITMENTS

The Organization leases facilities under lease agreements which expire in June 2028 and require monthly payments of \$2,310 and \$1,680 respectively with annual increases of 1.25%. Amounts due in the next five years are as follows:

2024	\$ 49,569
2025	50,336
2026	50,966
2027	51,603
2028	52,248

8. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market risk, currency risk, credit risk, and liquidity risk. The Organization has exposure to the following risks associated with its financial instruments:

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its temporary investments. The Organization does not use any derivative instrument to reduce its exposure to interest rate risk.

It is management's opinion that the Organization is not exposed to significant market, currency, credit or liquidity risks arising from its financial instruments.

PROJECT S.H.A.R.E. OF NIAGARA FALLS INC.

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2023

9. IMPACT OF COVID-19 PANDEMIC

As the pandemic continues to evolve with the emergence of new variants, entities may experience conditions often associated with general economic downturn, including but not limited to, financial market volatility, declining credit, potential return of government intervention, changes in labour markets, and other restructuring activities. The continuation of these circumstances could have a negative impact on an entity's financial conditions and results. Further, inflation, supply-chain disruptions, and labour shortages are affecting companies in different industries to varying degrees.

The ongoing impact of the COVID-19 pandemic and the uncertain economic conditions affecting major markets and economies still remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.
