

PAL OTTAWA
FINANCIAL STATEMENTS
DECEMBER 31, 2023

Independent Auditor's Report
Statement of Financial Position
Statement of Operations and Changes in Net Assets
Statement of Cash Flows
Notes to the Financial Statements



CHARTERED
PROFESSIONAL
ACCOUNTANTS

KELLY HUIBERS McNEELY

PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Members of PAL Ottawa

Qualified Opinion

We have audited the accompanying financial statements of PAL Ottawa ("the Organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and 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 financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

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.

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, 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 revenue, net revenue, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at the beginning and the end of the years ended December 31, 2023 and 2022. The audit opinion on the financial statements for the year ended December 31, 2022 was also qualified because of the possible effects of this limitation in scope.

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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 Organization or to cease operations, or has no realistic alternative but to do so.

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.
- 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.

Kelly Huibers McNeely
Professional Corporation

Stittsville, Ontario
May 28, 2024

Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

PAL OTTAWA

STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 81,204	\$ 112,443
Accounts receivable	5,218	28,021
Prepaid expenses	<u>2,917</u>	<u>3,311</u>
	89,339	143,775
INVESTMENTS (note 3)	564,728	301,009
PAL OTTAWA FUND (note 4)	334,006	210,000
	<u>\$ 988,073</u>	<u>\$ 654,784</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 17,258	\$ 27,433
Deferred revenue (note 5)	975	1,389
Deferred contributions (note 6)	<u>47,379</u>	<u>10,000</u>
	<u>65,612</u>	<u>38,822</u>
NET ASSETS		
Unrestricted	322,461	615,962
Sustainability fund (note 7)	<u>600,000</u>	<u>-</u>
	922,461	615,962
	<u>\$ 988,073</u>	<u>\$ 654,784</u>

APPROVED ON BEHALF OF THE BOARD

Director

Director

The accompanying notes are an integral part of these financial statements.

PAL OTTAWA

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2023

	2023	2022
REVENUE		
Memberships (note 5)	\$ 2,235	\$ 2,493
Donations	353,361	295,632
Grants and other restricted contributions (note 6)	70,621	-
Building fund	-	7,594
Interest	<u>38,737</u>	<u>1,192</u>
	<u>464,954</u>	<u>306,911</u>
EXPENSES		
Program (Schedule)	2,088	4,208
Members, communications, and outreach (Schedule)	27,799	43,213
General and administrative (Schedule)	125,106	130,417
Fundraising	3,462	17,701
Housing project	<u>-</u>	<u>7,796</u>
	<u>158,455</u>	<u>203,335</u>
NET REVENUE	306,499	103,576
NET ASSETS - BEGINNING OF YEAR	615,962	512,386
NET ASSETS - END OF YEAR	\$ 922,461	\$ 615,962

The accompanying notes are an integral part of these financial statements.

PAL OTTAWA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	2023	2022
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue	\$ 306,499	\$ 103,576
Net change in non-cash working capital items:		
Accounts receivable	22,803	(13,733)
Prepaid expenses	394	(744)
Accounts payable and accrued liabilities	(10,175)	11,372
Deferred revenue	(414)	485
Deferred contributions	<u>37,379</u>	<u>(7,594)</u>
	<u>356,486</u>	<u>93,362</u>
INVESTING ACTIVITIES		
Purchase of investments, net	(263,719)	(291,009)
Contribution to PAL Ottawa Fund	<u>(124,006)</u>	<u>(210,000)</u>
	<u>(387,725)</u>	<u>(501,009)</u>
NET CHANGE IN CASH	(31,239)	(407,647)
CASH - BEGINNING OF YEAR	112,443	520,090
CASH - END OF YEAR	\$ 81,204	\$ 112,443

The accompanying notes are an integral part of these financial statements.

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

1. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

Investments

Investments are recorded at cost plus accrued interest, which approximates fair value.

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

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.

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 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.

Significant estimates include assumptions used in estimating: the amounts and collectibility of accounts receivable; and, provisions for accrued liabilities.

3. INVESTMENTS

The Organization's investments include guaranteed investment certificates earning interest at rates ranging from 4.50% to 4.95% per annum and mature between July and December 2024.

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

4. PAL OTTAWA FUND

The PAL Ottawa Fund ("the Fund") is held by the Ottawa Community Foundation and is recorded at fair value at each reporting date. The purpose of the Fund is to support the charitable activities of the Organization, with the original contribution(s) to be held by the Fund indefinitely to earn investment income, which is then to be distributed to the Organization. Any distributions from the Fund will be recognized as revenue in the year it is received.

5. DEFERRED REVENUE

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

	Opening balance	Amounts received	Revenue recognized	Closing balance
Memberships	\$ 1,389	\$ 1,821	\$ (2,235)	\$ 975
	\$ 1,389	\$ 1,821	\$ (2,235)	\$ 975

6. DEFERRED CONTRIBUTIONS

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

	Opening balance	Amounts received	Revenue recognized	Closing balance
Grants and other restricted contributions	\$ 10,000	\$ 108,000	\$ (70,621)	\$ 47,379
	\$ 10,000	\$ 108,000	\$ (70,621)	\$ 47,379

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.

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

7. SUSTAINABILITY FUND

As part of the Organization's ongoing fundraising efforts, the Board of Directors intends to set aside a minimum of \$1,000,000 in a separate fund that will be maintained in perpetuity. During the year, the Organization transferred \$600,000 (2022 - \$nil) into the fund. The revenue generated from this fund will be used to support PAL Place residents - whether through programming initiatives that reduce living expenses or direct subsidies to residents.

8. 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, 2023. 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 cancelable at the Organization's option on short notice.

9. FINANCIAL INSTRUMENTS RISKS AND CONCENTRATIONS

The Organization is exposed to various risks through its financial instruments, which include cash, accounts receivable, investments, PAL Ottawa Fund, and accounts payable and accrued liabilities. The following analysis provides a measure of the Organization's risk exposures and concentrations as at December 31, 2023.

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 risk, credit risk exists in relation to the Organization's cash, investments, and PAL Ottawa Fund.

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 contributions set out in note 5 and 6 to these financial statements.

PAL OTTAWA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

9. FINANCIAL INSTRUMENTS RISKS AND CONCENTRATIONS (continued)

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. The Organization is not currently 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 investments as set out in note 3 to these financial statements.

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, 2023.

PAL OTTAWA

SCHEDULE - EXPENSES

For the year ended December 31, 2023

	2023	2022
Program		
Artist and presenter fees	\$ 250	\$ -
Office and other	165	375
Project management	1,673	3,833
	\$ 2,088	\$ 4,208
Members, communication and outreach		
Advertising and promotion	\$ 62	\$ 60
Office	7,455	21,619
Outreach coordinator	20,282	21,534
	\$ 27,799	\$ 43,213
General and administrative		
Insurance	\$ 1,702	\$ 1,347
Interest and bank charges	2,888	1,974
Meetings	1,194	2,230
Memberships, dues and licences	175	1,405
Office administrator	83,126	92,091
Office	405	503
Professional fees	34,577	24,748
Other contractors	1,039	6,119
	\$ 125,106	\$ 130,417