

**KIND SPACE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

---

# **ANDREA POOLE, CPA, CA**

Chartered Professional Accountant / Licensed Public Accountant  
48 Dunvegan Road  
Ottawa, Ontario K1K 3G3

Phone: (613) 2018-5931  
Email: accounting@pooleca.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors,

### **Kind Space:**

#### ***Report on the Financial Statements***

I have audited the accompanying financial statements of Kind Space, which comprise the statement of financial position as at December 31, 2016 and the statements of changes in net assets (deficit), operations and cash flows for the year then ended, and a summary of significant accounting policies 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.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's judgment, including the assessment of the 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 entity'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 entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **INDEPENDENT AUDITORS' REPORT (Continued)**

### ***Basis for Qualified Opinion***

In common with many not-for-profit organizations, Kind Space derives revenue in the form of donations, fundraising and fees for rentals and services, 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 and I was not able to determine whether any adjustments might be necessary to donations, fundraising and fees for rentals and services revenue, net revenue for the year and net assets (deficit).

### ***Qualified Opinion***

In my opinion, except for the 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 Kind Space as at December 31, 2016 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.

*Andrea Poole, CPA, CA*

**ANDREA POOLE, CPA, CA**  
Chartered Professional Accountant  
Licensed Public Accountant

Ottawa, Ontario, Canada  
May 2, 2017

**KIND SPACE****STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2016****With comparative figures for the year ended December 31, 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 41,327	\$ 8,368
Accounts receivable	5,448	8,113
HST receivable	2,701	2,235
Prepaid expenses	<u>5,689</u>	<u>-</u>
	<u>\$ 55,165</u>	<u>\$ 18,716</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 8,464	\$ 34,093
Government remittances payable	2,073	13,274
Deferred revenue (note 6)	<u>31,704</u>	<u>-</u>
	42,241	47,367
<b>LONG TERM DEBT</b>		
Repayable funding - Ontario AIDS Bureau	<u>-</u>	<u>11,281</u>
	42,241	58,648
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted net assets (deficit)	<u>12,924</u>	<u>(39,932)</u>
	<u>\$ 55,165</u>	<u>\$ 18,716</u>

Approved on behalf of the Board:

Director \_\_\_\_\_

Director \_\_\_\_\_

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

**KIND SPACE**

**STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)  
FOR THE YEAR ENDED DECEMBER 31, 2016  
With comparative figures for the year ended December 31, 2015**

	<u>2016</u>	<u>2015</u>
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted net assets (deficit), beginning of year	\$ (39,932)	\$ (48,592)
Net revenue for the year	<u>52,856</u>	<u>8,660</u>
<b>UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ 12,924</u>	<u>\$ (39,932)</u>

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

**KIND SPACE****STATEMENT OF OPERATIONS****FOR THE YEAR ENDED DECEMBER 31, 2016****With comparative figures for the year ended December 31, 2015**

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
Donations	\$ 14,339	\$ 24,863
Fees for rentals and services	3,550	10,294
Fundraising	1,545	10,501
Grants		
City of Ottawa	127,479	122,492
Other grants	7,631	-
Forgiveness of debt interest (note 7)	2,814	-
Interest and other income	-	210
	<u>157,358</u>	<u>168,360</u>
<b>EXPENSES</b>		
Administration		
Bank charges and interest	1,819	5,303
Insurance	3,977	2,901
Office and general	3,467	2,641
Professional fees	11,591	5,363
Rent	9,380	18,368
Salaries and benefits	16,292	27,109
Telecommunications	1,255	5,012
	<u>47,781</u>	<u>66,697</u>
Programs		
Fundraising campaigns	138	4,539
Outreach, library and other programs	8,886	3,175
Rent	31,404	61,495
Salaries and benefits	16,293	23,794
	<u>56,721</u>	<u>93,003</u>
	<u>104,502</u>	<u>159,700</u>
<b>NET REVENUE FOR THE YEAR</b>	<u>\$ 52,856</u>	<u>\$ 8,660</u>

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

**KIND SPACE****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2016****With comparative figures for the year ended December 31, 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net revenue for the year	\$ 52,856	\$ 8,660
Changes in non-cash working capital balances:		
Accounts receivable	2,665	1,341
HST receivable	(466)	784
Prepaid expenses	(5,689)	113
Accounts payable and accrued liabilities	(25,629)	15,923
Employee severance payable	-	(18,740)
Government remittances payable	(11,201)	(1,565)
Deferred revenue	31,704	-
	<u>(8,616)</u>	<u>(2,144)</u>
	44,240	6,516
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayable funding - Ontario AIDS Bureau	<u>(11,281)</u>	<u>(492)</u>
<b>INCREASE (DECREASE) IN CASH</b>	32,959	6,024
Cash balance, beginning of year	<u>8,368</u>	<u>2,344</u>
<b>CASH BALANCE, END OF YEAR</b>	<u>\$ 41,327</u>	<u>\$ 8,368</u>

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

## KIND SPACE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

#### 1. PURPOSE OF THE ORGANIZATION

Kind Space was incorporated on March 29, 1984 under the Canada Corporations Act as a not-for-profit organization and is a Registered Charity under the Income Tax Act.

Kind Space is a volunteer-based social service agency which fosters the health and wellness of all lesbian, gay, bisexual, trans, two spirit, queer/questioning, intersex, asexual, etc. (LGBT2SQIA+) people in the Ottawa/Outaouais region. Kind Space works to identify and address the needs of these groups through community development; the provision of online, referral and library resources; advocacy for safer sex practices, sex positive dialogue, an understanding of LGBT2SQIA+ issues with the public; and the delivery of respectful and inclusive services and programs provided in a safe environment that affirms equality and is free of discrimination.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

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

*a) Accrual basis of accounting*

Revenue and expenses are recorded on the accrual basis, whereby they are reflected in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

*b) Financial instruments*

Kind Space's financial assets and financial liabilities are initially measured at fair value and subsequently measured at cost or amortized cost.

*c) Capital assets*

Capital assets are expensed in the year of purchase. During the year, office furniture and equipment of Nil (2014 - Nil) and leasehold improvements of Nil (2014 - Nil) were purchased and have been expensed.

*d) Revenue recognition*

Kind Space follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures 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.

*e) Contributed services*

Kind Space receives the services of many volunteers and contributions in kind, the cost of which cannot be reasonably estimated. Therefore, no financial representation of such volunteer services and contributions have been included in these financial statements.

## KIND SPACE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

#### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

##### *f) Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent 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 these estimates.

##### *g) Allocated expenses*

A portion of rent expenses is allocated to program expenses based on management's estimate of the relative use of square footage. A portion of salaries and benefits expense is allocated to program expenses based on the estimate of the level of related effort.

#### 3. FINANCIAL INSTRUMENTS

Kind Space is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at December 31, 2016. Kind Space does not use derivative financial instruments to manage its risks.

##### *Credit risk*

Kind Space is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The organization's maximum exposure to credit risk represents the sum of the carrying value of accounts receivable and HST receivable. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts. Management believes that all accounts receivable will be collected and that no provision for uncollectible amounts is necessary.

##### *Liquidity risk*

Liquidity risk is the risk that the organization cannot meet a demand for cash or fund its obligations as they become due. The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and working closely with strategic sustainable funding partners. The organization is exposed to liquidity risk and the Board of Directors and management are continuing their efforts to ensure the organization can successfully manage its cash flow needs.

##### *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 is comprised of currency risk, interest rate risk and other price risk as follows:

##### *i) Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The organization's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

## KIND SPACE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

#### 3. FINANCIAL INSTRUMENTS, continued

##### *ii) Interest rate risk*

Kind Space does not have any loans outstanding, other than some credit card debt, nor does it have access to a line of credit. The organization's interest rate risk is limited to the credit card debt and management believes this risk is manageable.

##### *iii) Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments 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 instruments or its issuer or factors affecting all similar instruments traded in the market. Management believes the organization is not exposed to other price risk.

##### *Changes in risk*

Other than the exposure to interest rate risk noted above, there have been no other changes in the organization's risk exposures from the prior year.

#### 4. LEASE COMMITMENT

The organization is committed to a lease agreement for office space that expires on June 30, 2021 and is shared with Planned Parenthood Ottawa. Annual lease payments, less the portion paid by Planned Parenthood Ottawa, including operating costs and recoverable HST are estimated as follows:

2017	\$	48,800
2018	\$	48,800
2019	\$	48,800
2020	\$	48,800
2021	\$	24,400

#### 5. ECONOMIC DEPENDENCY

Kind Space derives a major portion of its revenue from the City of Ottawa and is dependent on this funding support for its operations. Management is committed to working with the City and other funders and to seek new funding sources, particularly through expanding its fundraising and fees for rentals and services efforts, to support its activities and continue to provide services to the community.

#### 6. DEFERRED REVENUE

The deferred revenue is related to Kind Space's advance receipt of the first quarter installment of its 2017 funding support from the City of Ottawa.

#### 7. FORGIVENESS OF DEBT INTEREST

Management was able to negotiate a forgiveness of debt interest in final settlement of Kind Space's financial obligations to the Canada Revenue Agency and the Ontario Aids Bureau.

#### 8. COMPARATIVE FIGURES

Certain of the 2015 comparative figures have been reclassified to conform with the current year's financial statement presentation.