

UNITY CHARITY

2023 Financial Statements

Independent Auditor's Report

To the members of
Unity Charity

Opinion

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

Basis for 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

Independent Auditor's Report — continued

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.

Mississauga, Ontario
March 12, 2024



GMS Professional Corporation
Chartered Professional Accountants
Authorized to Practice Public Accounting by the Chartered
Professional Accountants of Ontario

UNITY CHARITY
Statement of Financial Position
As at August 31, 2023

	2023	2022
ASSETS		
Current assets		
Cash	\$ 428,933	\$ 67,345
Investments (note 3)	17,500	30,860
Accounts receivable (note 4)	60,783	13,700
Prepaid expenses	15,157	34,870
Deposits	23,794	23,794
Government remittances recoverable	577	51,908
	546,744	222,477
Leasehold improvements (note 5)	60,958	62,654
Website under development	30,344	12,608
	\$ 638,046	\$ 297,739
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 45,148	\$ 39,214
Loan payable (note 6)	80,000	-
CEBA loan (note 7)	55,603	35,603
Funds held in trust (note 8)	59,000	-
	239,751	74,817
Deferred contributions (note 9)	455,029	31,000
	694,780	105,817
Designated assets	200,000	200,000
Net deficiency	(256,734)	(8,078)
	(56,734)	191,922
	\$ 638,046	\$ 297,739

See accompanying notes

On behalf of the Board

Director



Samer
Abughannam

Treasurer



Leslie Rivers

UNITY CHARITY
Statement of Operations
Year ended August 31, 2023

	2023	2022
Revenue		
Government grants (note 10)	\$ 522,443	\$ 720,358
Earned revenue	63,829	29,111
Foundation grants	118,818	48,950
Individual donations	103,706	79,595
Corporate donations	597,434	381,000
	1,406,230	1,259,014
Expenditures		
Program		
Personnel	888,976	954,876
Program delivery	109,306	87,724
Travel and accommodation	9,125	12,721
Fundraising		
Marketing and materials	5,613	7,474
Personnel	165,387	53,872
Administration		
Amortization	6,612	2,724
Bad debts	-	52,888
Interest and bank charges	391	-
Office and administration	143,373	121,999
Personnel	64,515	81,682
Professional fees	105,764	103,422
Rent	135,824	73,619
	1,634,886	1,553,001
Deficiency of revenue over expenditures before the undernoted item	(228,656)	(293,987)
Other expenses (income)		
CEBA loan forgiveness reversal (note 7)	20,000	-
Canada Emergency Wage Subsidy (CEWS)	-	(5,419)
	20,000	(5,419)
Deficiency of revenue over expenditures	\$ (248,656)	\$ (288,568)

See accompanying notes

UNITY CHARITY
Statement of Changes in Net Assets
Year ended August 31, 2023

	2023	2022
Net assets (net deficiency), as previously stated	\$ (8,078)	\$ 294,609
Prior period adjustment	-	(14,119)
Net assets (net deficiency), beginning of year, as restated	(8,078)	280,490
Deficiency of revenue over expenditures	(248,656)	(288,568)
Net deficiency, end of year	\$ (256,734)	\$ (8,078)

See accompanying notes

UNITY CHARITY
Statement of Cash Flows
Year ended August 31, 2023

	2023	2022
Operating activities		
Deficiency of revenue over expenditures	\$ (248,656)	\$ (288,568)
Items not involving cash		
Amortization	6,612	2,724
Deferred contributions recognized	(1,030,995)	(1,023,177)
CEBA loan forgiveness reversal	20,000	-
	<u>(1,253,039)</u>	<u>(1,309,021)</u>
Net change in non-cash working capital items		
Accounts receivable	(47,083)	317,412
Prepaid expenses	19,713	(24,081)
Deposits	-	(23,794)
Government remittances	51,331	(24,613)
Accounts payable and accrued liabilities	5,934	(10,769)
	<u>29,895</u>	<u>234,155</u>
Cash flows used in operating activities	<u>(1,223,144)</u>	<u>(1,074,866)</u>
Financing activities		
Loan payable	80,000	-
CEBA Loan	-	(4,397)
Funds held in trust	59,000	-
Grant funding received	1,455,024	686,434
Cash flows from financing activities	<u>1,594,024</u>	<u>682,037</u>
Investing activities		
Encashment of investments	13,360	(165)
Purchase of leasehold improvements	(4,916)	(65,378)
Website under development	(17,736)	(12,608)
Cash flows from investing activities	<u>(9,292)</u>	<u>(78,151)</u>
Net change in cash during the year	361,588	(470,980)
Cash, beginning of year	67,345	538,325
Cash, end of year	<u>\$ 428,933</u>	<u>\$ 67,345</u>

See accompanying notes

UNITY CHARITY

Notes to Financial Statements Year ended August 31, 2023

1. Nature of operations

Unity Charity is a not-for-profit organization incorporated under the Canada Not-for-profit Corporations Act on December 5, 2013, and is not subject to income taxes under the Income Tax Act (Canada). As of January 1, 2008, the Organization is a registered charity, and remains exempt from income taxes under the Income Tax Act.

The objective of Unity Charity is to empower youth with the confidence and skills for success, uses hip hop to improve young people's lives creating healthier communities, and targets youth who may feel disconnected or overwhelmed by stress living in underserved communities.

2. Summary of significant accounting policies and general information

The Organization applies the Canadian accounting standards for not-for-profit organizations.

Basis of accounting

Except for revenue from donations and grants which are recorded on a cash basis, with no accrual being made for amounts pledged but not received, revenues and expenditures are recorded on the accrual basis, whereby transactions and events are recognized in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Contributions

The organization follows the deferral method of revenue recognition for contributions.

Externally restricted contributions including project grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions.

Unrestricted contributions including donations and amounts received from fundraising, are recorded when received. Pledges are not recorded as revenue.

Canada Emergency Wage Subsidy

Canada Emergency Wage Subsidy is recognized as revenue in the period it relates to.

Contributed materials and services

Contributed materials and services which are normally purchased by the organization, are not recorded in the accounts.

Earned Revenue

Earned revenue includes program fees, product sales and space rental. Program fee revenue is recognized as revenue in the period the service is delivered. Product sales revenue is recognized upon product delivery. Space rental revenue is recognized in the period of rental.

Interest income

Interest income is recognized as revenue over the term of the guaranteed investment certificates.

Allocated expenses

The Organization allocates some of its general support expenses by identifying the appropriate basis of allocating each component expense and applies that basis consistently each year. In keeping with this policy, the organization allocates personnel costs based on time spent amongst "Program", "Fundraising" and "Administration".

UNITY CHARITY

Notes to Financial Statements
Year ended August 31, 2023

2. Summary of significant accounting policies and general information — continued

Deferred revenue

Deferred revenue represents restricted funding for which the proceeds have been received but not yet spent.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions, such as amortization and accounts receivable allowance, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Contributed services

Directors, committee members and owners volunteer their time to assist in the Organization's activities. While these services benefit the Organization considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

3. Investments

The investment held by Unity Charity is a guaranteed investment certificate that is issued by a major Canadian chartered bank, bears interest of 0.1000% per annum and matures on March 26, 2024 with an option to renew.

4. Accounts receivable

Accounts receivable comprise the following:

	2023		2022	
Accounts receivable	\$	1,783	\$	3,100
Grant receivable		59,000		10,600
	\$	60,783	\$	13,700

5. Leasehold improvements

	2023		2022	
	Cost	Accumulated amortization	Net	Net
Leasehold improvements	\$ 70,294	\$ 9,336	\$ 60,958	\$ 62,654

UNITY CHARITY

Notes to Financial Statements
Year ended August 31, 2023

6. Loan payable

The Organization obtained a loan of \$ 80,000 from The Community Forward Fund at an interest rate of 6.5% per annum payable within 12 months of drawdown which was 21st of August 2023. The Organization has an option to renew for 4 additional 12 month periods. The loan is generally secured by all present and after-acquired property.

7. Loan granted under the Canada Emergency Business Account Program (CEBA Loan)

In 2020, the Organization received Canada Emergency Business Account (CEBA) loan of \$60,000 from the government of Canada, of which \$40,000 was recognized at its fair value and the remaining \$20,000 was recognized in other income in 2020 and 2021 as a forgivable portion, having met all of the required criteria for forgiveness. As the initially forgiven amount was still outstanding as at the forgiveness repayment date of January 18, 2024, the original amount of the loan became a non-amortizing term loan with full principal repayment due on December 31, 2026.

	2023	2022
CEBA loan, guaranteed by government of Canada, bearing interest at a rate of 5% (interest-free until December 31, 2023), repayable December 31, 2026	\$ 55,603	\$ 35,603

8. Funds held in trust

	2023	2022
Laidlaw Foundation	\$ 59,000	\$ -

The Organization entered in a Trustee agreement with Laidlaw Foundation for the benefit of River's Rock Grassroot Organization. The total funding is for \$300,000 out of which \$90,000 was received by the Organization during the fiscal year. The Organization disbursed a sum of \$ \$22,000 to the beneficiary (River's Rock Grassroot Organization), recorded \$9,000 as a Trustee fee under "Earned Revenue" and \$59,000 remains unpaid to River's Rock Grassroot Organization as at August 31, 2023.

UNITY CHARITY

Notes to Financial Statements Year ended August 31, 2023

9. Deferred contributions

Continuity of deferred revenue for the year is as follows:

	2023	2022
Deferred contributions, beginning of year	\$ 31,000	\$ 367,743
Amounts received from grants	1,455,024	686,434
Grant revenue recognized	(1,030,995)	(1,023,177)
Deferred contributions, end of year	\$ 455,029	\$ 31,000

10. Government grants

Grants relating to the 2023 fiscal year were as follows:

	2023	2022
Canada Council for the Arts	\$ 135,814	\$ 86,000
City of Toronto	94,059	62,509
Ministry of Employment & Social Development	102,527	8,306
Ontario Arts Council	109,843	74,243
Toronto Arts Council	-	28,000
Canadian Heritage	11,800	14,700
Ontario Trillium Foundation	68,400	446,600
Balance	\$ 522,443	\$ 720,358

11. Financial risk management

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

Liquidity risk

The Organization does have a liquidity risk in the CEBA loan, accounts payable and accrued liabilities of \$180,751 (2022 - \$74,817). Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains adequate credit cards to repay trade creditors and repays long term debt interest and principal as they become due.

Credit risk


The Organization has credit risk in accounts receivable and government remittances totalling \$61,360 (2022 - \$65,608). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization reduces its exposure to credit risk by regularly reviewing it's accounts receivables and creating a provision for bad debt whenever applicable.

Fair value


The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Organization is a going concern and thus expects to fully repay the outstanding amounts.

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