

FINANCIAL STATEMENTS

SOCKS 4 SOULS CANADA INC.

June 30, 2025

Socks 4 Souls Canada Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Socks 4 Souls Canada Inc.:

Qualified Opinion

I have audited the accompanying financial statements of **Socks 4 Souls Canada Inc.**, which comprise the statement of financial position as at June 30, 2025 and the statements of revenue and expenses, 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 my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of **Socks 4 Souls Canada Inc.** as at June 30, 2025 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, **Socks 4 Souls Canada Inc.** derives revenue from both cash and in-kind sock donations, the completeness of which are not susceptible to my obtaining evidence I considered necessary for the purpose of the audit. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the accounts of **Socks 4 Souls Canada Inc.**. In addition, I did not observe the counting of the socks held for distribution at June 30, 2023. I was unable to satisfy myself by alternative means concerning the sock quantities held at June 30, 2023, which were stated in the statement of financial position at \$4,790. As a result of these matters, I was unable to determine whether any adjustments might have been found necessary with respect to revenue, expenses, excess of revenue over expenses and cash flows from operations for the years ended June 30, 2025 and 2024, current assets as at June 30, 2025 and 2024, and fund balances as at July 1 and June 30 for both the 2025 and 2024 year-ends.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the not-for-profit in accordance with the ethical requirements that are relevant to my audit of financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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INDEPENDENT AUDITOR'S REPORT

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 generally accepted 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 not-for-profit'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 not-for-profit or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the not-for-profit's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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.

MAUREEN A. PARRY PROFESSIONAL CORPORATION

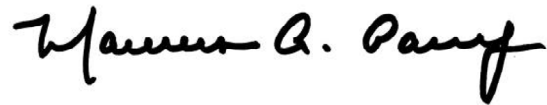
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INDEPENDENT AUDITOR'S REPORT

- 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 not-for-profit'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 not-for-profit's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the not-for-profit 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.

I 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 I identify during my audit.



Toronto, Ontario
December 11, 2025

CPA, CA, Professional Corporation
Authorized to practice public accounting by
The Chartered Professional Accountants of Ontario

Socks 4 Souls Canada Inc.

STATEMENT OF FINANCIAL POSITION

June 30	2025	2024
	\$	\$
ASSETS		
Current		
Cash	127,562	180,538
Term deposits [note 2]	259,291	225,000
Harmonized sales tax rebate	15,953	7,866
Amounts receivable	7,260	6,445
Prepaid expenses	556	302
	410,622	420,151
Long-term		
Equipment [note 3]	2,156	2,310
	412,778	422,461
LIABILITIES		
Current		
Accounts payable and accrued liabilities	22,563	8,251
NET ASSETS		
Invested in equipment	2,156	2,310
Unrestricted	388,059	411,900
	390,215	414,210
	412,778	422,461

*see accompanying notes
Commitments [note 6]*

On behalf of the Board:

Director

Director

Socks 4 Souls Canada Inc.

STATEMENT OF REVENUE AND EXPENSES

Year ended June 30	2025 \$	2024 \$
Revenue		
Donations		
Cash	178,133	168,406
In kind - Socks	17,133	21,839
In kind - Other	4,032	3,970
Interest income	15,463	9,221
Cash back and other credit card rewards	209	883
Fund raising event	<u> </u>	<u>18,400</u>
	<u>214,970</u>	<u>222,719</u>
Expenses		
Consultants	79,537	38,464
Transportation and storage	9,082	8,672
Professional fees	3,222	3,222
Marketing	3,075	9,317
Bank charges	1,718	213
Insurance	1,392	1,392
Office expense	1,145	1,073
Volunteers and board	1,009	199
Amortization of equipment	<u>154</u>	<u>154</u>
	<u>100,334</u>	<u>62,706</u>
Revenue over expenses before distribution of socks	<u>114,636</u>	<u>160,013</u>
Distribution of socks [note 4]		
Socks held for distribution, at beginning of year		4,790
Purchased socks	121,498	61,760
Donated socks	<u>17,133</u>	<u>21,839</u>
Socks distributed, during the year	<u>138,631</u>	<u>88,389</u>
Excess (deficiency) of revenue over expenses, for the year	<u>(23,995)</u>	<u>71,624</u>

see accompanying notes

Socks 4 Souls Canada Inc.

STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30	2025	2024
	\$	\$
Balance , beginning of year	414,210	342,586
Excess (deficiency) of revenue over expenses, for the year	(23,995)	71,624
Balance , end of year	390,215	414,210

see accompanying notes

Socks 4 Souls Canada Inc.

STATEMENT OF CASH FLOWS

Year ended June 30	2025 \$	2024 \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	(23,995)	71,624
Add items not involving cash -		
Amortization of equipment	<u>154</u>	<u>154</u>
	(23,841)	71,778
Change in non-cash working capital items -		
Accounts receivable	(815)	(5,481)
Harmonized sales tax rebateable	(8,087)	(1,578)
Socks held for distribution		4,790
Prepaid expenses	(254)	303
Accounts payable and accrued liabilities	<u>14,312</u>	<u>1,626</u>
	(18,685)	71,438
INVESTING ACTIVITIES		
Purchase of term deposits	<u>(34,291)</u>	<u>(225,000)</u>
Change in cash during the year	(52,976)	(153,562)
Cash , beginning of year	180,538	334,100
Cash , end of year	<u>127,562</u>	<u>180,538</u>

see accompanying notes

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NATURE OF ORGANIZATION

Socks 4 Souls Canada Inc. (the "Organization") is committed to providing homeless people with warmth, comfort, dignity, mobility and health through new socks. Good foot health has a tremendous impact on one's ability to seek food, shelter, medical care and other social services. Socks and monetary donations are procured from school and workplace sock drives, corporate partners, businesses, community organizations and private citizens.

The Organization's vision is that every homeless person in Canada has everyday access to clean, new socks and the comfort and opportunities that come with them.

The Organization incorporated on on July 23, 2016 under the Canada Not-for-Profit Corporations Act, and became a registered charity pursuant to section 149(1)(f) of the Income Tax Act (Canada) on November 13, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations. These standards are in accordance with Canadian generally accepted accounting principles and include the following significant policies:

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value. Subsequently financial assets and liabilities are measured at amortized cost. Transaction costs that are directly attributable to the acquisition of investments are recognized in net income in the period incurred.

Financial assets measured at amortized cost include cash, harmonized sales tax receivable and amounts receivable.

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

Socks held for distribution

Socks which have been purchased from suppliers that have not yet been distributed are recorded on the statement of financial position at the lower of cost and current replacement cost. Socks which have been donated that have not yet been distributed are recorded on the statement of financial position at current replacement cost. The cost of socks held for distribution is determined on a first-in, first out basis.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is recorded at cost when purchased or at its fair market value when donated. Amortization is calculated on the straight-line method based on the estimated useful life of 20 years.

Revenue recognition

The Organization follows the deferral method of accounting for contributions, including donations, fund raising, interest and other income. Restricted contributions are recognized as revenue in the 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.

Donated socks and services

Sock donations received from the public are valued at current replacement cost. Sock donations received from a wholesaler are valued at their wholesale price. Storage services are valued at current market rates for the unit. Volunteers contribute an undeterminable, but substantial number of hours during the year to assist the Organization in carrying out its mission. Because of the difficulty of determining their fair market value, volunteer services are not recognized in the financial statements.

Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. TERM DEPOSITS

Current term deposits consist of both cashable and non-redeemable guaranteed investment certificates (GICs) with maturity dates ranging from July 2025 to June 2026, and bearing interest at rates from 2.8559% to 5.1%.

Socks 4 Souls Canada Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

3. EQUIPMENT

	Cost	Accumulated amortization	Net book value	
	\$	\$	2025 \$	2024 \$
Equipment	3,078	922	2,156	2,310

4. DISTRIBUTION OF SOCKS

Number of socks distributed during the year:

	2025	2024
	#	#
Socks held for distribution at beginning of year	NIL	9,216
Purchase of socks	261,336	127,380
Donation of socks	36,852	42,022
Socks distributed to qualified donees	298,188	178,618

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Items that meet the definition of financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Financial instrument transactions, such as collecting receivables and settling payables, may result in exposure to significant financial risks and concentration of risk.

The nature and extent of significant risks as of June 30, 2025, are described below. There have been no changes to the significant risks from the prior year.

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. The Organization's financial assets that are exposed to credit risk consist primarily of cash, term deposits, and amounts receivable. Cash consists of both a chequing and a saving account with a major Canadian bank. Term deposits consist of GICs with a major Canadian bank. The Organization is subject to credit risk through its amounts receivable. Credit risk is limited due to the small number of receivables owed to the Organization.

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 savings account on which the interest rate fluctuates.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

6. COMMITMENTS

In a prior year, the Organization entered into an agreement with a consultant. The current terms allow the consultant to work up to 25 hours per week for a maximum annual fee of \$52,000 plus HST. The contract was renewed effective November 1, 2025 for a three month term to January 31, 2026, at the same annual fee, and may be renewed February 1, 2026, subject to mutual agreement and satisfactory performance.

The Organization has entered into an agreement with a second consultant effective October 2024 at an hourly rate estimated to cost \$3,000 per month, increasing to \$3,200 in June 2025 and renewable annually every March 31st, subject to mutual agreement and satisfactory performance.

The Organization has entered into an agreement with a sock supplier (the "Supplier") effective July 2024. The agreement was renewed and updated effective July 2025 for another two years to June 2027. The updated agreement states the Supplier is to provide, package and ship socks to locations outside the Greater Toronto Area (GTA), at a cost of \$.47/pair, including HST, to the Organization. The Supplier will ship all orders for the GTA to another shipping company (the "Shipper") who will then ship them to locations in the GTA. The Shipper will invoice the Organization and donate up to \$10,000 in shipping costs back to the Organization by June 30, 2026. The updated agreement with the Supplier also requires the Organization to provide a \$50,000 retainer, against which purchases by the Organization will be applied. As the retainer is depleted, the Organization will provide another \$50,000 retainer. Any portion of a retainer not spent by June 30, 2027, will either be carried over into a renewed contract, or returned to the Organization if the contract is not renewed.