

COMMUNITY LIVING TRENT HIGHLANDS
FINANCIAL STATEMENTS
MARCH 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Community Living Trent Highlands

Report on the Financial Statements

We have audited the accompanying financial statements of Community Living Trent Highlands, which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in fund balances 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 controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 controls 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 controls. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Community Living Trent Highlands as at March 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough,
June 1, 2018

COMMUNITY LIVING TRENT HIGHLANDS

STATEMENT OF FINANCIAL POSITION As at March 31, 2018

	Operating fund	Capital asset fund	Internally restricted fund	Total 2018
	2018	2018	2018	2018
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash	1,499,203	-	1,007,668	2,506,871
Investments (note 3)	51,016	-	-	51,016
Accounts receivable	826,086	-	-	826,086
Prepaid expenses	28,489	-	-	28,489
Due from (to) other funds	(344,652)	-	344,652	-
	2,060,142	-	1,352,320	3,412,462
Other assets				
Long term receivable	81,450	-	-	81,450
Tangible capital assets (note 4)	-	5,271,991	-	5,271,991
	81,450	5,271,991	-	5,353,441
	2,141,592	5,271,991	1,352,320	8,765,903
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable and accrued liabilities (note 5)	1,684,347	-	-	1,684,347
Current portion of long-term debt (note 7)	-	40,279	-	40,279
Deferred contributions (note 6)	463,605	1,707,112	-	2,170,717
	2,147,952	1,747,391	-	3,895,343
Long term liabilities				
Long term debt (note 7)	-	949,198	-	949,198
	2,147,952	2,696,589	-	4,844,541
Fund balances				
Internally restricted	-	-	1,352,320	1,352,320
Invested in capital assets	-	2,575,402	-	2,575,402
Operating	(6,360)	-	-	(6,360)
	(6,360)	2,575,402	1,352,320	3,921,362
	2,141,592	5,271,991	1,352,320	8,765,903

The accompanying notes are an integral part of these financial statements

COMMUNITY LIVING TRENT HIGHLANDS

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES For the Year Ended March 31, 2018

	Operating Fund	Capital Fund	Internally Restricted Fund	Total 2018
	2018	2018	2018	2018
	\$	\$	\$	\$
Revenue				
Province of Ontario (note 12)	18,316,051	-	-	18,316,051
City of Kawartha Lakes	1,345,981	-	-	1,345,981
Program revenue	1,845,291	-	-	1,845,291
Rentals	1,342,766	-	-	1,342,766
Amortization of deferred capital contributions	-	131,955	-	131,955
Donations and fundraising	92,743	-	-	92,743
Interest and other	21,893	-	-	21,893
Gain on sale of capital assets	-	150	-	150
Total revenue	22,964,725	132,105	-	23,096,830
Expenses				
Salaries and benefits	14,109,943	-	-	14,109,943
Purchased services	6,369,477	-	-	6,369,477
Occupancy costs	1,008,041	-	-	1,008,041
Amortization	-	324,228	-	324,228
Training costs	99,764	-	-	99,764
Insurance	107,954	-	-	107,954
Interest	33,663	-	-	33,663
Office	417,895	-	-	417,895
Repairs and maintenance	402,962	-	-	402,962
Travel	119,647	-	-	119,647
Donations	16,836	-	-	16,836
Total expenses	22,686,182	324,228	-	23,010,410
Excess (deficiency) of revenue over expenses for the year	278,543	(192,123)	-	86,420
Fund balances - beginning of period	(180,631)	2,663,253	1,352,320	3,834,942
Transfer for long term debt repayments	(74,881)	74,881	-	-
Transfer for tangible capital asset purchases	(29,391)	29,391	-	-
Fund balances - end of year	(6,360)	2,575,402	1,352,320	3,921,362

The accompanying notes are an integral part of these financial statements

COMMUNITY LIVING TRENT HIGHLANDS

STATEMENT OF CASH FLOWS For the Year Ended March 31, 2018

	2018
	\$
CASH PROVIDED FROM (USED FOR):	
Operating activities	
Excess of revenue over expenses for the period	86,420
Non-cash charges to operations	
Amortization of tangible capital assets	324,228
Amortization of deferred capital contributions	(131,955)
	<u>278,693</u>
Changes in non-cash working capital items	
Accounts receivable	(239,390)
Long-term receivable	18,550
Prepaid expenses	41,706
Accounts payable	(413,093)
Bank indebtedness	(145,000)
Deferred contributions	141,376
	<u>(595,851)</u>
Net decrease in cash from operating activities	<u>(317,158)</u>
Investing activities	
Purchase of tangible capital assets	(303,430)
Disposal of investments	50,615
Purchase of investments	(51,016)
Net decrease in cash from investing activities	<u>(303,831)</u>
Financing activities	
Repayment of long-term debt	(74,881)
Increase/(decrease) in cash	(695,870)
Cash - beginning of year	3,202,741
Cash - end of year	2,506,871

The accompanying notes are an integral part of these financial statements

COMMUNITY LIVING TRENT HIGHLANDS

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2018

1. NATURE OF OPERATIONS

Community Living Trent Highlands ("the Organization") is a not-for-profit organization that was established on April 1, 2017 through the amalgamation of Community Living Central Highlands and Community Living Peterborough. The Organization is incorporated without share capital, to provide support and services which promote the personal growth, community participation of people with intellectual disabilities and their families. The Organization serves the communities of Haliburton, City of Kawartha Lakes, and Peterborough.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. Significant aspects of the accounting policies are as follows:

(a) *Recognition of revenues and expenses*

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

The organization follows the deferral method of accounting for contributions, which includes donations and government grants. Restricted contributions other than capital 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. Program revenue and rental revenue are recognized as revenue when the related service is provided.

Capital contributions are deferred and amortized on the same basis and rate as the amortization of the related tangible capital assets.

Investment income is recognized as revenue when earned in the appropriate fund.

(b) *Government financial assistance*

The various programs are eligible for operating subsidies from the Ontario Ministry of Community and Social Services. The Ministry will pay the organization for admissible expenditures incurred up to the funding contracts. While the revenue from these funding contracts is recorded in the current period, the reimbursement of these amounts is ultimately dependent upon their acceptance by the Ministry of Community and Social Services.

(c) *Fund accounting*

- (i) Operating fund - includes results of day-to-day operating transactions and all unrestricted contributions;
- (ii) Capital asset fund - includes the organization's assets, liabilities, revenue and expenses related to the capital assets; and
- (iii) Internally restricted fund - includes revenues and expenses related to funds internally restricted by the Board for various projects.

COMMUNITY LIVING TRENT HIGHLANDS

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) *Tangible capital assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized, over the expected useful life of the asset, as follows:

Building and building improvements	40 years
Equipment and furnishings	5 years
Computer equipment	4 years
Vehicles	5 years
Leasehold improvements	Term of lease

(e) *Income taxes*

The Organization qualifies as a not-for-profit organization which is exempt from income taxes under the Income Tax Act.

(f) *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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas where management has made complex or subjective judgments (often as a result of matters that are inherently uncertain) include, among others, revenue recognition, accounts payable and accrued liabilities and useful lives of tangible capital assets and amortization. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

(g) *Financial instruments*

(i) *Measurement*

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. The organization subsequently measures its financial assets and financial liabilities at amortized cost, except for those instruments that are quoted in an active market. Financial assets measured at amortized cost include cash, investments, accounts receivable, and long term receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and long term debt. The organization has no financial instruments measured at fair value.

(ii) *Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations.

COMMUNITY LIVING TRENT HIGHLANDS

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) *Volunteer services*

Volunteers contribute a significant amount of time to assist in the organization's activities. While these services benefit the organization considerably, a reasonable estimate of their amounts and fair value cannot be made and, accordingly, these volunteer services are not recognized in the financial statements.

3. INVESTMENTS

	2018 \$
Renaissance savings account	39,936
RBC GIC, maturing September 9, 2018, bearing interest at 0.50% per annum	11,080
	<u>51,016</u>

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	Cost \$	Accumulated Amortization \$	Net Book Value 2018 \$
Land	894,839	-	894,839
Building and building improvements	5,148,736	1,994,952	3,153,784
Vehicles	606,627	432,866	173,761
Equipment and furnishings	879,843	772,134	107,709
Leasehold improvements	1,365,566	425,938	939,628
Computer equipment	393,899	391,629	2,270
	<u>9,289,510</u>	<u>4,017,519</u>	<u>5,271,991</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2018 \$
Accounts payable and accrued liabilities	856,186
Accrued vacation	828,161
	<u>1,684,347</u>

COMMUNITY LIVING TRENT HIGHLANDS

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2018

6. DEFERRED CONTRIBUTIONS

The following amounts are included in deferred contributions:

	2018
	\$
Province of Ontario	143,900
City of Kawartha Lakes	1,503
Other	318,202
Deferred capital contributions	1,707,112
	<u>2,170,717</u>

The continuity of deferred contributions are as follows:

	2018
	\$
Balance - beginning of period	2,559,798
Add amounts received:	
Province of Ontario	123,740
City of Kawartha Lakes	1,060,962
Other revenue	417,987
Deferred capital contributions	276,720
	<u>1,879,409</u>
Less transfer to operations:	
Province of Ontario	411,737
City of Kawartha Lakes	1,345,981
Other revenue	378,817
Amortization of deferred capital contributions	131,955
	<u>2,268,490</u>
Balance - end of period	<u>2,170,717</u>

COMMUNITY LIVING TRENT HIGHLANDS

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2018

7. LONG TERM DEBT

Long term debt consists of the following:

	2018 \$
Mortgage payable, 3.65%, repayable \$1,475 per month principal and interest, due April 12, 2033, secured by general security agreement and property.	205,089
Mortgage payable, 4.40%, repayable \$1,981 per month principal and interest, due October 4, 2023, secured by general security agreement and property.	321,423
Mortgage payable, 3.48%, repayable \$2,498 per month principal and interest, due September 26, 2037, secured by general security agreement and property.	435,049
Promissory note payable, interest-free, repayable \$417 per month, due October 22, 2023, secured by general security agreement.	27,916
Less: current portion of long-term debt	(40,279)
Due beyond one year	949,198

The principal and interest payments due in each of the next five years, based on the current repayment terms, are as follows:

	Principal \$	Interest \$	Total \$
2019	40,279	36,164	76,443
2020	41,638	34,805	76,443
2021	43,051	33,392	76,443
2022	44,518	31,925	76,443
2023	46,043	30,400	76,443
2024 and subsequent years	733,669	195,925	929,594
	949,198	362,611	1,311,809

COMMUNITY LIVING TRENT HIGHLANDS

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended March 31, 2018

8. FINANCIAL INSTRUMENTS

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The value of fixed income securities will generally rise if interest rates fall and conversely fall when rates rise. The Organization is also subject to interest rate risk related to its credit facility which bears interest at a variable rate.

(b) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization has limited exposure to credit risk as tenant receivables are rare and all other receivables are due from municipal, provincial and federal levels of government.

9. ECONOMIC DEPENDENCE

The organization's major source of revenue is in the form of subsidies from the Ontario Ministry of Community and Social Services. The nature and extent of this revenue is of such significance as to affect the viability of the organization and, accordingly, it can be said that the organization is economically dependent upon the Ontario government.

10. COMMITMENT

The company's total commitments, under various operating leases and a property lease agreement, exclusive of occupancy costs, are as follows:

2019	\$305,972
2020	263,576
2021	273,037
2022	273,037
2023	273,037
	<u>1,388,659</u>

11. COMPARATIVE FIGURES

Comparative figures of the predecessor organizations have not been presented. The opening balances for the period consist of the combined balances of the audited financial statements of Community Living Central Highlands and Community Living Peterborough as at March 31, 2017.

COMMUNITY LIVING TRENT HIGHLANDS

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

12. PROVINCE OF ONTARIO

Province of Ontario revenue consists of the following:

	2018
	\$
Ministry of Community and Social Services	17,853,911
Ministry of Children and Youth Services	51,302
Special Services at Home	24,102
Other	386,736
	<hr/> 18,316,051

13. PENSION PLAN

All employees of the organization are eligible to be members of the Multi-Sector Pension Plan administered by the Canadian Union of Public Employees (CUPE). The plan provides defined pension benefits to employees based on their length of service and rates of pay. The organization contributes 3% to 4% of applicable wages each pay period to the plan. For the year ended March 31, 2018, the organization contributed \$396,682 to the plan on behalf of its employees. As this is a multi-employer pension plan, these contributions are the organization's pension benefit expenses, and no pension liability for this type of plan is in the organization's financial statements.