

Financial statements of

**Community Living -
Grimsby, Lincoln and West
Lincoln**

March 31, 2018

Community Living – Grimsby, Lincoln and West Lincoln

March 31, 2018

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Independent Auditor's Report

To the Directors of
Community Living – Grimsby, Lincoln and West Lincoln

We have audited the accompanying financial statements of the Community Living - Grimsby, Lincoln and West Lincoln, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets, 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 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 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.

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

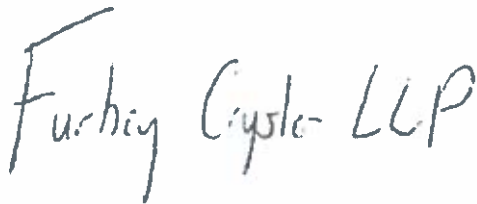
Basis for Qualified Opinion

In common with many not-for-profit organizations, the Community Living - Grimsby, Lincoln and West Lincoln, derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these receipts from these sources was limited to a comparison of bank deposits with the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditure, assets and net assets.

Note 2 describes the fixed assets and amortization accounting policies of Community Living – Grimsby, Lincoln and West Lincoln. Land, buildings and vehicles are recorded as assets on the statement of financial position. Amortization on the buildings and vehicles is recorded annually to the extent that the principal portion of the debt financing the acquisition is repaid. All expenditures which are eligible for subsidy including vehicles, furniture and equipment and building renovations are expensed in the year of purchase. Canadian accounting standards for not-for-profit organizations require that fixed assets should be capitalized and amortized over their estimated useful lives. Furthermore, the policy should be applied on a retroactive basis. The effects of not following Canada accounting standards for not-for-profit organizations could not be reasonably determined and as a result we are unable to determine the effect on expenditure, excess of revenue over expenditure, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of Community Living - Grimsby, Lincoln and West Lincoln as at March 31, 2018 and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Furbey Cycle LLP". The signature is written in a cursive, slightly slanted style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
Fonthill, ON
June 11, 2018

Community Living - Grimsby, Lincoln and West Lincoln

Statement of financial position

as at March 31, 2018

(in Canadian dollars)

	note	Operating Fund \$	Capital Fund \$	March 31, 2018 \$	March 31, 2017 \$
ASSETS					
Current assets					
Cash and cash equivalents		-	273	273	21,262
Accounts receivable		306,438	-	306,438	259,967
Sales tax recoverable		100,229	-	100,229	89,624
Prepaid expenses		55,332	-	55,332	68,178
Government subsidies receivable		99,625	-	99,625	37,146
		561,624	273	561,897	476,177
Property and equipment	3	-	6,204,661	6,204,661	6,174,436
		561,624	6,204,934	6,766,558	6,650,613
LIABILITIES					
Current Liabilities					
Bank indebtedness		283,689	-	283,689	-
Line of credit	6	95,000	-	95,000	15,000
Accounts payable and accrued liabilities		674,421	-	674,421	748,139
Deferred revenue		92,819	-	92,819	50,417
Due to Community Living - Grimsby, Lincoln and West Lincoln Foundation	8	-	-	-	36,656
Current portion of mortgages payable	5	-	40,166	40,166	38,507
Current portion of loans payable	6	-	99,226	99,226	92,906
		1,145,929	139,392	1,285,321	981,625
Mortgages payable	5	-	375,686	375,686	415,852
Loans payable	6	-	1,477,310	1,477,310	1,506,561
Due to the Ministry of Community and Social Services	4	-	2,192,101	2,192,101	2,192,101
		1,145,929	4,184,489	5,330,418	5,096,139
Commitments and contingencies	7				
NET ASSETS					
Unrestricted surplus (deficit)		(649,236)	2,020,445	1,371,209	1,502,079
Internally Restricted Children's Residential Program reserve		64,931	-	64,931	52,395
		(584,305)	2,020,445	1,436,140	1,554,474
		561,624	6,204,934	6,766,558	6,650,613

See accompanying notes to the financial statements.

Approved on behalf of the Board:


Chair


Director

Community Living - Grimsby, Lincoln and West Lincoln

Statement of operations
year ended March 31, 2018
(in Canadian dollars)

	note	Operating Fund \$	Capital Fund \$	2018 \$	2017 \$
Revenue					
Province of Ontario Grants					
Ministry of Community and Social Services		8,125,907	-	8,125,907	8,326,721
Ministry of Children's and Youth Services		26,431	-	26,431	26,431
Third party fee for service					
Children's Housing Program		635,093	-	635,093	640,935
Passport flow-through funding	12	364,559	-	364,559	271,070
Other		6,900	-	6,900	12,625
United Way grants		29,498	-	29,498	29,500
Program revenues	9	1,628,687	-	1,628,687	1,503,141
Other grants, donations and membership fees		71,687	-	71,687	69,893
Interest income		2,907	-	2,907	3,302
Fundraising and other income		19,471	-	19,471	445
		10,911,140	-	10,911,140	10,884,063
Expenditures					
Administration		65,279	-	65,279	156,930
Amortization		-	118,333	118,333	157,991
Contracts		410,696	-	410,696	323,601
Client participation wages		31,821	-	31,821	60,753
Homeshare and support fees		348,086	-	348,086	390,094
Insurance		80,683	-	80,683	77,482
Interest		68,533	-	68,533	69,706
Occupancy costs, repairs and maintenance		951,112	-	951,112	1,184,955
Program costs		337,542	-	337,542	300,674
Purchased services		655,575	-	655,575	383,765
Respite fees		121,639	-	121,639	108,679
Salaries and benefits		7,471,919	-	7,471,919	7,541,542
Staff training		40,955	-	40,955	48,715
Vehicle operation and travel		327,301	-	327,301	245,439
		10,911,141	118,333	11,029,474	11,050,326
Deficiency of revenue over expenditures		(1)	(118,333)	(118,334)	(166,263)

See accompanying notes to the financial statements.

Community Living - Grimsby, Lincoln and West Lincoln

Statement of changes in net assets

year ended March 31, 2018

(in Canadian dollars)

Unrestricted surplus	note	Operating Fund	Capital Fund	2018	2017
		\$	\$	\$	\$
Net assets, beginning of year		(426,703)	1,928,782	1,502,079	1,698,437
Deficiency of revenue over expenditures		(1)	(118,333)	(118,334)	(166,263)
Transfer out to Internally Restricted Children's Program reserve		(12,536)	-	(12,536)	(30,095)
Transfers between funds	11	(209,996)	209,996	-	-
		(222,533)	91,663	(130,870)	(196,358)
Net assets, end of year		(649,236)	2,020,445	1,371,209	1,502,079

Internally Restricted Children's Residential Program Reserve		Operating Fund	Capital Fund	2018	2017
		\$	\$	\$	\$
Net assets, beginning of year		52,395	-	52,395	22,300
Transfer in from unrestricted surplus		12,536	-	12,536	30,095
		12,536	-	12,536	30,095
Net assets, end of year		64,931	-	64,931	52,395

See accompanying notes to the financial statements.

Community Living - Grimsby, Lincoln and West Linc

Statement of cash flows

year ended March 31, 2018

(in Canadian dollars)

	2018	2017
	\$	\$
Cash flows from operating activities		
Deficiency of revenue over expenditures	(118,334)	(166,263)
Items not affecting cash:		
Amortization	118,333	157,991
	(1)	(8,272)
Change in non-cash working capital items		
Accounts receivable	(46,471)	(4,261)
Sales tax recoverable	(10,605)	(13,396)
Prepaid expenses	12,846	(30,144)
Government subsidies	(62,479)	14,069
Accounts payable and accrued liabilities	(73,718)	(213,874)
Deferred revenue	42,402	45,417
Due from/to Community Living Foundation	(36,656)	12,763
Net cash flows used in operating activities	(174,682)	(197,698)
Cash flows from financing activities		
Line of credit	80,000	15,000
Proceeds from bank loan	55,000	-
Repayment of mortgages and loans payable	(116,437)	(146,165)
Bank indebtedness	283,689	-
Net cash flows used in financing activities	302,252	(131,165)
Cash flows from investing activities		
Purchase of property and equipment	(148,559)	-
Net cash flows from investing activities	(148,559)	-
Net decrease in cash	(20,989)	(328,863)
Cash and cash equivalents, beginning of year	21,262	350,125
Cash and cash equivalents, end of year	273	21,262

See accompanying notes to the financial statements.

Community Living – Grimsby, Lincoln and West Lincoln

Notes to the financial statements

March 31, 2018

1. Nature of operations

Community Living - Grimsby, Lincoln and West Lincoln is a non-profit registered charity, incorporated under the Province of Ontario without share capital on February 21, 1968. The Organization provides educational, rehabilitation, residential and support services to children and adults with intellectual disabilities.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and reflect the following policies:

Fund accounting

The Organization uses fund accounting whereby financial statement elements are reported by fund. The Operating Fund includes the Organization's direct programs and administration. The Capital Fund includes assets, liabilities, revenue and expenses related to the Organization's capital assets and third-party activities. Funding from third party organizations, fundraising events, and other income and expenses are reflected in the Capital Fund.

The Children's Residential Program Reserve was established in the 2014 year to provide for minor capital expenditures not fully funded by Ministry of Children and Youth Services revenue.

Revenue recognition

Government funding is recognized in the year to which the approved budget relates. Program revenues that are reasonably assured are recorded on an accrual basis and primarily relate to flow through funding and rental income. Other program revenues that can not be estimated by management, such as travel recoveries, are recognized when they are collected.

Donation and fundraising revenues are recorded as revenue when received. Pledges, bequests and post-dated cheques are recorded as revenue when realized.

Property and equipment

Property and equipment are recorded in the Capital Fund at acquisition cost. Additions to furniture, equipment, vehicles and building renovation costs that are funded through subsidy are recorded in the statement of operations of the various operating fund programs as an expenditure in the year purchased. Fixed asset additions that are not funded through subsidy are recorded as assets of the Capital Fund at cost. Amortization is recorded annually to the extent that the principal portion of the debt financing the acquisition is repaid.

Costs of a capital nature incurred on several properties owned and eligible for subsidy are recorded through operations as opposed to being capitalized and amortized. During the year capital items totalling \$150,234 (2017 - \$453,765) have been expensed to the operations.

Impairment of long-lived assets

In the event that facts and circumstances indicate that the Organization's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required. The Organization considers that no circumstances exist that would require such evaluation.

Community Living – Grimsby, Lincoln and West Lincoln

Notes to the financial statements

March 31, 2018

2. Significant accounting policies (continued)

Due to the Ministry of Community and Social Services

Funding has been received from the Province of Ontario specifically to assist with the purchase of certain land and buildings and require the Organization to follow certain restrictions on the future use and disposition of the related properties. No provision for the amortization of this funding has been recorded since the amounts due to the Ministry are to be repaid when the properties are sold.

Cash and cash equivalents

The Organization considers all cash and cash equivalents to have a maturity of three months or less.

Contributed services

Volunteers contribute their time during the year to assist the Institute in carrying out its objectives. Because of the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

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 revenue and expenses during the reporting period.

Community Living – Grimsby, Lincoln and West Lincoln

Notes to the financial statements

March 31, 2018

3. Property and equipment

	2018	2017
	\$	\$
Land and buildings		
Aspen Drive, Grimsby	228,886	228,886
Beam Street, Beamsville	454,979	454,979
Bedford Park, Grimsby	353,587	353,587
Cherry Heights, Beamsville	229,969	229,969
Crimson King Way, Beamsville	255,370	255,370
Douglas Street, Beamsville	249,875	249,875
John Street, Vineland	533,686	533,686
Lincoln Avenue, Beamsville	137,492	137,492
Main Street, Grimsby	75,462	75,462
Rose Avenue, Beamsville	228,285	228,285
Tufford Road, Beamsville	451,682	451,682
Victoria Avenue South, Vineland	190,571	190,571
Victoria Avenue North, Vineland	559,432	559,432
Livingston Avenue, Grimsby	213,240	213,240
C.D. Hopkins Centre, Beamsville	217,975	217,975
South Service Road and Kerman Avenue, Grimsby	2,271,574	2,271,574
	6,652,065	6,652,065
Ontario Trillium grant	(112,900)	(112,900)
Accumulated amortization	(468,220)	(364,729)
	6,070,945	6,174,436
Vehicles		
Cost	459,948	311,390
Accumulated amortization	(326,232)	(311,390)
	133,716	-
	6,204,661	6,174,436

Community Living – Grimsby, Lincoln and West Lincoln

Notes to the financial statements

March 31, 2018

4. Due to the Ministry of Community and Social Services

The Organization has joint title to several group homes in the Niagara Region, as listed in Note 3, most of which were purchased or renovated with funding from the Ministry of Community and Social Services.

When the Ministry funded the purchase or renovation of a home, they obtained a pro-rata ownership share of the building. The Ministry has not been repaid for their funding but will be reimbursed when the building is sold based on their pro-rata share of the proceeds on disposition equivalent to their ownership share of the building.

The following represent the properties and the corresponding funding received from the Ministry for those properties:

	2018	2017
	\$	\$
Land and buildings		
Beam Street, Beamsville	454,979	454,979
Cherry Heights, Beamsville	183,975	183,975
Crimson King Way, Beamsville	247,722	247,722
Douglas Street, Beamsville	199,900	199,900
John Street, Vineland	56,313	56,313
Lincoln Avenue, Beamsville	137,492	137,492
Main Street, Grimsby	48,173	48,173
Rose Avenue, Beamsville	40,172	40,172
Tufford Road, Beamsville	121,830	121,830
Victoria Avenue South, Vineland	52,753	52,753
Victoria Avenue North, Vineland	317,612	317,612
C.D. Hopkins Centre, Beamsville	203,716	203,716
South Service Road and Kerman Avenue, Grimsby	127,464	127,464
	2,192,101	2,192,101

Community Living – Grimsby, Lincoln and West Lincoln

Notes to the financial statements

March 31, 2018

5. Mortgages payable

	2018	2017
	\$	\$
Royal Bank		
Mortgage, repayable in blended monthly payments of \$926 including interest at 5.35%, due August 2019, secured by the property on Aspen Drive, Grimsby ON.	62,474	70,062
Mortgage, repayable in blended monthly payments of \$904 including interest at 5.35%, due August 2019, secured by the property on Bedford Park, Grimsby ON.	93,284	99,029
Mortgage, repayable in blended monthly payments of \$903 including interest at 5.35%, due August 2019, secured by the property on Tufford Road, Beamsville ON.	93,635	99,350
Mortgage, repayable in blended monthly payments of \$2,388 including interest at 5.25%, due February 2020, secured by the property on John Street, Vineland ON.	166,459	185,918
	415,852	454,359
Less: current portion	40,166	38,507
	375,686	415,852

Assuming the mortgages will be renewed under similar terms when they come due, the principal payments due in each of the next 5 years are as follows:

	\$
2019	40,166
2020	42,269
2021	44,739
2022	47,140
2023	49,661
thereafter	191,877
	415,852

Community Living – Grimsby, Lincoln and West Lincoln

Notes to the financial statements
March 31, 2018

6. Loans payable

	2018	2017
	\$	\$
Royal Bank		
Demand term loan, repayable in monthly payments of \$2,233 plus interest at prime, due November 2018.	128,680	155,477
Demand term loan, repayable in annual principal payments of \$20,000 and monthly interest payments at prime, due March 2021.	320,000	320,000
Demand term loan, repayable in monthly payments of \$2,083 plus interest payments at prime, due October 2018.	387,499	414,582
Demand term loan, repayable in blended monthly payments of \$3,334 including interest payments at prime, due March 2021.	690,854	709,408
Demand term loan, repayable in monthly payments of \$917 plus interest payments at prime, due August 2022.	49,503	-
	1,576,536	1,599,467
Less: current portion	99,226	92,906
	1,477,310	1,506,561

Royal Bank demand loans are secured by a general security agreement, a \$1,700,000 mortgage charge on the property at South Service Road, Grimsby, a \$650,000 mortgage charge on the property at Lincoln Avenue, Beamsville, a \$490,000 mortgage charge on the property at John Street, Vineland and a \$408,750 mortgage charge on the property at 4360 Victoria Avenue, Vineland.

In addition to the demand term loans and mortgages, the Organization has a revolving line of credit available up to \$300,000 with a per annum interest rate of prime. The line of credit is secured as stated above. As at March 31, 2018, \$95,000 was drawn on the line of credit (2017 - \$15,000).

Assuming the demand loans will be renewed under similar terms when they come due, the principal payments due in each of the next 5 years are as follows:

	\$
2019	99,226
2020	99,677
2021	100,458
2022	101,013
2023	89,815
thereafter	1,086,347
	1,576,536

Community Living – Grimsby, Lincoln and West Lincoln

Notes to the financial statements

March 31, 2018

7. Commitments and contingencies

The Organization has established a sick leave policy for all regular full-time employees which allows for the accumulation of sick leave time to meet serious illness situations should they arise. The entitlement is based on the number of years of full time employment and can accumulate to a maximum of 120 days. Although this benefit can only be used for short term serious illness as it means to bridge to long term disability, the accumulated pooled sick time has no cash surrender value upon termination of employment whether voluntary or involuntary, and as such, no provision has been made in these financial statements for costs which may be incurred should the Organization be required to make these payments.

The Organization has entered into several equipment and vehicle leases, under the terms of these agreements the following amounts are due in each of the next five years:

	\$
2019	143,002
2020	129,887
2021	93,565
2022	57,692
2023	15,367
	<u>439,513</u>

8. Due to Community Living – Grimsby, Lincoln and West Lincoln Foundation

In 2013, the Organization established a Foundation to assist in carrying out its fundraising activities and to help solicit donations. The Foundation is a third-party organization with a separate Board of Directors and operates independently from the Organization. The two Organizations are in the process of preparing a Memorandum of Understanding with respect to their working relationship.

The amount held on the Foundation's behalf was transferred during the year to the Foundation.

9. Program revenues

Program revenues primarily relate to flow through individual funding, rental income, room and board, fee for services, and travel recoveries.

10. Economic dependence

The Organization receives a significant portion (2018 - 74%, 2017 - 77%) of its revenue for operations pursuant to a service contract with the Ontario Ministries of Community and Social Services and Children and Youth Services. Should these contributions cease, the Organization would need to consider its ability to continue its current operations.

11. Transfers between funds

Amounts transferred between funds are approved by the Board of Directors and relate to principle repayments on the Organizations long-term debt from the operating fund to the capital fund.

12. Passport flow-through funding

Passport flow-through funding relates to funding provided by the Ministry to participants that are under the care of the Community Living – Grimsby, Lincoln and West Lincoln that is paid to other organizations or for services not related to the operations of Community Living – Grimsby, Lincoln and West Lincoln.

Community Living – Grimsby, Lincoln and West Lincoln

Notes to the financial statements

March 31, 2018

13. Financial instrument risk

The significant financial risks to which the Organization is exposed are credit risk, interest rate risk and liquidity risk. There have been no changes to risk exposures from prior year.

The Organization's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, government subsidies payable, and mortgages and loans payable. The carrying value of these financial instruments approximate their fair values.

Credit risk exposure

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 is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. These accounts are generally rent and other recoveries settled monthly and the Organization does not anticipate any significant loss for non-performance.

Interest rate risk exposure

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 has term loans payable bearing interest at variable rates as negotiated by management based on the lender's commercial rates. Management does not expect changes in the prime interest rate to have a significant impact on future cash flows.

Liquidity risk exposure

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. The Organization monitors the collection efforts to ensure sufficient cash flows are generated from operations to meet the current debt obligations. The Organization monitors cash flows on a daily basis and in aggregate through its annual budget process. The Organization expects that cash flow from operations in fiscal 2018 along with the continued support of its lenders will be adequate to fund ongoing investments in working capital and capital expenditures.