

**ST. LEONARD'S SOCIETY OF LONDON**

(Operating as St. Leonard's Community Services  
London & Region)

Financial Statements

Year ended March 31, 2019



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of St. Leonard's Society of London

### Qualified Opinion

We have audited the financial statements of St. Leonard's Society of London ("the Society"), which comprise the Statement of Financial Position as at March 31, 2019, and the Statements of Operation, Schedule of Revenue, Schedule of Expenses, Statements of 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019 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.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from donations and fundraising activities, 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 Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenue over expenses, and cash flows from operations for the year ended March 31, 2019, current assets and net assets for the year then ended. Our audit opinion on the financial statements was modified accordingly because of the possible effects of this limitation in scope.

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 Society 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 qualified 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 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.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

### 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.



## Bringing Solutions Together

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 Society'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 Society'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 Society'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 Society 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 achieve 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.

London, Ontario  
June 25, 2019


**Chartered Professional Accountants  
Licensed Public Accountants**

# ST. LEONARD'S SOCIETY OF LONDON

Statement of Financial Position as at March 31, 2019

	2019	2018
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,131,257	\$ 1,426,725
Marketable securities (Note 3)	1,857,239	1,209,692
Accounts receivable	415,534	396,774
Government remittances recoverable	42,410	105,655
Prepaid expenses	11,753	11,674
	<u>3,458,193</u>	<u>3,150,520</u>
<b>CAPITAL ASSETS (Note 5)</b>	<u>2,047,383</u>	<u>2,136,568</u>
	<u>\$ 5,505,576</u>	<u>\$ 5,287,088</u>
<b>LIABILITIES</b>		
<b>CURRENT (Note 6)</b>		
Accounts payable and accrued liabilities	\$ 387,035	\$ 403,593
Amounts payable to government funders (Note 7)	420,411	322,191
Deferred contributions (Note 8)	60,984	288,668
Long-term debt due within one year (Note 10)	164,807	7,752
	<u>1,033,237</u>	<u>1,022,204</u>
<b>LONG-TERM DEBT (Note 10)</b>	-	163,994
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 11)</b>	<u>244,283</u>	<u>208,279</u>
	<u>1,277,520</u>	<u>1,394,477</u>
<b>NET ASSETS</b>		
Internally Restricted (Note 9)	1,834,350	1,834,350
Invested in Capital Assets	1,638,292	1,756,543
Unrestricted Net Assets	755,414	301,718
	<u>4,228,056</u>	<u>3,892,611</u>
	<u>\$ 5,505,576</u>	<u>\$ 5,287,088</u>

APPROVED BY THE DIRECTORS:

  
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Director

  
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Director

## ST. LEONARD'S SOCIETY OF LONDON

### Statement of Changes in Net Assets

Year ended March 31, 2019

	Internally Restricted	Invested in Capital Assets	Unrestricted	Total	
				2019	2018
BALANCE, Beginning of year	\$ 1,834,350	\$ 1,756,543	\$ 301,718	\$ 3,892,611	\$ 3,443,247
Excess (deficiency) of revenue over expenses	-	(132,731)	468,176	335,445	449,364
Investment in capital assets	-	14,480	(14,480)	-	-
BALANCE, End of year	\$ 1,834,350	\$ 1,638,292	\$ 755,414	\$ 4,228,056	\$ 3,892,611

# ST. LEONARD'S SOCIETY OF LONDON

Statement of Operations  
Year ended March 31, 2019

	2019	2018
<b>REVENUE</b> (Schedule)	<u>\$ 7,620,372</u>	<u>\$ 7,091,224</u>
<b>EXPENSES</b> (Schedule)		
Administrative	401,577	401,163
Infrastructure	629,814	695,680
Support services	<u>6,248,880</u>	<u>5,549,689</u>
	<u>7,280,271</u>	<u>6,646,532</u>
EXCESS REVENUE OVER EXPENSES BEFORE THE FOLLOWING	340,101	444,692
UNREALIZED GAIN ON INVESTMENTS (Note 3)	2,281	4,672
LOSS ON DISPOSAL OF CAPITAL ASSETS	<u>(6,937)</u>	-
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 335,445</u>	<u>\$ 449,364</u>

# ST. LEONARD'S SOCIETY OF LONDON

Schedule of Revenue

Year ended March 31, 2019

	2019	2018
<b>REVENUE</b>		
Ministry of Community and Social Services and Ministry of Children and Youth Services	\$ 2,664,452	\$ 2,554,849
Correctional Services Canada	1,835,122	1,850,463
Ministry of Health and Long-Term Care	1,054,628	798,184
Fee allocations (Note 4)	703,343	671,373
St. Joseph's Health Care	436,950	398,250
City of London - CHPI	346,067	167,887
City of London - HPS	321,978	398,423
Rental (Note 4)	181,942	181,202
Ministry of Community Safety & Correctional Services	171,102	143,052
Ministry of Attorney General	164,400	155,123
School Boards	159,750	157,722
Other support	103,565	165,135
Interest and investment	99,068	27,768
Operation Springboard	76,800	76,800
HST rebate	74,759	72,291
Employment and other grants	62,493	86,603
Amortization of deferred contributions (Note 11)	46,577	36,000
Donations	2,661	2,674
Less: revenue charges to programs (Note 4)	(885,285)	(852,575)
	<u>\$ 7,620,372</u>	<u>\$ 7,091,224</u>

# ST. LEONARD'S SOCIETY OF LONDON

Schedule of Expenses  
Year ended March 31, 2019

	2019	2018
<b>ADMINISTRATIVE</b>		
Administration	\$ 703,343	\$ 671,373
Office and computer	128,006	149,290
Insurance - property and liability	69,764	64,483
Telephone	62,556	60,027
Consultations	53,311	62,098
Professional fees	41,547	27,273
Investment management fees	17,820	-
Promotion	13,306	17,675
Rental of equipment	7,153	10,119
External dues and memberships	6,293	7,723
Board meetings	1,114	2,313
Bank service charges	707	162
Less: internal charges to programs (Note 4)	(703,343)	(671,373)
	<u>\$ 401,577</u>	<u>\$ 401,163</u>
<b>INFRASTRUCTURE</b>		
Rent allocation	\$ 181,942	\$ 181,202
Amortization	176,661	176,327
Preventive maintenance	130,891	224,501
HST expense	108,605	105,716
Contracted services	78,063	60,084
Utilities	67,121	65,667
Household and sanitary supply	24,856	28,496
Equipment and office furniture	22,611	14,748
Rent - external	13,052	13,052
Interest on long-term debt	7,954	7,089
Less: internal charges to programs (Note 4)	(181,942)	(181,202)
	<u>\$ 629,814</u>	<u>\$ 695,680</u>
<b>SUPPORT SERVICES</b>		
Salaries and employee benefits	\$ 5,420,782	\$ 4,889,183
Client care and program supplies	273,468	218,540
Travel	184,793	167,949
Consulting and support	148,862	67,705
Food	123,137	121,625
Staff training	68,043	44,196
Client incidentals	24,535	30,833
Staff recruitment	4,645	7,568
Conferences	2,283	2,521
Miscellaneous	(1,668)	(431)
	<u>\$ 6,248,880</u>	<u>\$ 5,549,689</u>



# ST. LEONARD'S SOCIETY OF LONDON

Statement of Cash Flows  
Year ended March 31, 2019

	2019	2018
<b>Cash provided by (used in):</b>		
<b>OPERATING</b>		
Excess of revenue over expenses	\$ 335,445	\$ 449,364
Add (deduct) non-cash items:		
Amortization of capital assets	176,661	176,327
Loss on disposal of capital assets	6,937	-
Amortization of deferred contributions related to capital assets	(46,577)	(36,000)
Unrealized gain on investments	(2,281)	(4,672)
Change in non-cash working capital (Note 12)	(101,616)	397,311
	<u>368,569</u>	<u>982,330</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(90,123)	(31,700)
Proceeds from disposals of capital assets	400	-
Purchase of marketable securities	(834,999)	(1,794,048)
Proceeds from sale of marketable securities	185,043	589,027
	<u>(739,679)</u>	<u>(1,236,721)</u>
<b>FINANCING ACTIVITIES</b>		
Deferred contributions related to capital assets	82,581	-
Principal payments on long-term debt	(6,939)	(7,173)
	<u>75,642</u>	<u>(7,173)</u>
DECREASE IN CASH DURING THE YEAR	(295,468)	(261,564)
Cash, Beginning of year	<u>1,426,725</u>	<u>1,688,289</u>
CASH, END OF YEAR	<u>\$ 1,131,257</u>	<u>\$ 1,426,725</u>

# ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2019

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## 1. PURPOSE OF THE ORGANIZATION

St. Leonard's Society of London ("the Society") was incorporated without share capital under the laws of Ontario as a registered charity, and as such is exempt from income taxes under section 149(1)(f) of Canadian Income Tax Act. The purpose of the Society is to operate residences and programs which promote positive change in all persons who are, or could be, in conflict with the law to realize their potential, leading to a safer community.

The Society operates the following programs:

1. Community Service Order Program - Adult
2. Youth Extrajudicial Sanctions/Extrajudicial Measures (EJS/EJM)
3. Youth Choices
4. Cody Centre (including Reporting Centre Program)
5. Gallagher Centre
6. Youth Get a Grip
7. Peer Power Centre
8. Intensive Reintegration
9. Attendance Centre
10. Madame Louise Arbour
11. Direct Accountability
12. Intermittent/Sub Abuse Program
13. Justice Circles
14. Restorative Approaches
15. The Supervised Independent Living Program
16. Reintegration Program
17. Fetal Alcohol Spectrum Disorder (FASD) Reintegration Program
18. C.K. Clarke Road Centre
19. Project Homes Program (formerly Housing First)
20. Human Services and Justice Coordinating Committee Project
21. Forensic Supportive Housing Program
22. MH Diversion Worker

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

### Revenue Recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or on the basis which coincides with the funding agencies' terms of payment. 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.

Investment and all other revenues are recognized as revenue when earned.

# ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2019

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Capital Assets

Contributed capital assets are recorded at fair market value at date of contribution. Purchased capital assets are recorded at acquisition cost. Capital asset purchases having a useful life of greater than one year or which are considered to substantially extend the useful life of an existing capital asset are capitalized. Amortization is provided for these capital assets on the straight-line basis as follows:

Buildings	20 years
Furniture and equipment	5 years
Automobile	5 years
Software	5 years

### Financial Instruments

Measurement of Financial Instruments:

The Society initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except the investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations in the year.

Impairment:

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down and any subsequent reversal are recognized in the Statement of Operations.

Transaction Costs:

The Society recognizes its transactions costs in the Statement of Operations in the period incurred.

### Cash and Cash Equivalents

Cash as disclosed on the Statement of Financial Position consists of cash on hand and balances with the banks.

### Contributed Services

Contributed services by volunteers are not recognized in these financial statements due to the difficulty in determining their fair market value.

# ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 amount of revenues and expenses during the reported period. Specific estimates include amortization and provision for amounts payable to government funders. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

## 3. MARKETABLE SECURITIES

The marketable securities are recorded at fair market value based on published market quotations provided by a security dealer.

	2019	2018
Investments held (book value \$1,854,958)	\$ 1,857,239	\$ 1,209,692

Investments in marketable securities are comprised of shares in money market funds, bond index funds and equity index funds. These investments are unrestricted. The unrealized gain on investments as at March 31, 2019 was \$2,281 (2018 - \$4,672).

## 4. ALLOCATION OF GENERAL SUPPORT COSTS

The Society internally charges costs between revenue and the three expense categories and eliminates these internal cost allocations, and the related revenue, for presentation in these financial statements. The expense line "internal charges to programs" on the Schedule of Expenses represents the internal expenses in each of the three expense groupings for such items as indirect labour and the use of physical assets, that results in the total expenses representing only the third party costs. The total of these eliminations in these expense accounts offset the reduction in the revenue so that the resulting total revenue represents only third party revenue.

## 5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net	
			2019	2018
Land	\$ 853,000	\$ -	\$ 853,000	\$ 853,000
Buildings	2,942,607	1,869,675	1,072,932	1,200,258
Furniture and equipment	399,890	388,698	11,192	9,787
Automobile	290,814	199,565	91,249	47,671
Software	78,776	59,766	19,010	25,852
	<u>\$ 4,565,087</u>	<u>\$ 2,517,704</u>	<u>\$ 2,047,383</u>	<u>\$ 2,136,568</u>

## 6. AVAILABLE OPERATING LINE OF CREDIT

The Society has access to a line of credit in the amount of \$150,000. Interest is at prime plus 2%. The line of credit is secured by real property at 405 Dundas Street with a net book value of \$1,130,670, (2018 - \$1,190,202). As at March 31, 2019, the balance outstanding was \$NIL (2018 - \$NIL).

# ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2019

## 7. AMOUNTS PAYABLE TO GOVERNMENT FUNDERS

	2019	2018
MOHLTC - LHIN	\$ 199,794	\$ 136,111
MCYS Youth Justice Programs	103,228	107,433
MCCSS - SIL	67,545	19,151
Correctional Services Canada	48,938	48,938
Ministry of the Attorney General	906	10,558
	<u>\$ 420,411</u>	<u>\$ 322,191</u>

## 8. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent funding received in the current period that relates to subsequent periods. Changes in the deferred contributions balance are as follows:

	2019	2018
Beginning balance	\$ 288,668	\$ 95,748
Add: amounts received in the year	379,979	288,668
Less: amounts recognized as revenue in the year	(607,663)	(95,748)
Ending balance	<u>\$ 60,984</u>	<u>\$ 288,668</u>

The deferred contributions represent unspent resources for specific programs, as follows:

	2019	2018
CHPI Project Home Fund	\$ 27,444	208,511
Donations - Youth Katu	22,795	17,833
Donation - Adrenaline	7,272	7,272
Peer Power LDCSB	3,333	3,333
Donation - Youth Richard	140	-
Housing Allowance	-	51,719
	<u>\$ 60,984</u>	<u>\$ 288,668</u>

## 9. INTERNALLY RESTRICTED RESERVE

The Board of Directors has established a capital improvement reserve for future renovations to the Society's buildings. These funds are restricted in their use, and available only with Board approval.

The Board approves the establishment of a contingency reserve supported from annual revenue in excess of expenses. These funds would target circumstances beyond any normal operations that would impede program delivery, interruptions in employment, and expenditures related to unforeseen circumstances such as severance.

# ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2019

## 10. LONG-TERM DEBT

	2019	2018
Prime + 1% mortgage repayable in monthly principal and interest instalments of \$1,250, due November 19, 2019. The collateral is a fixed charge of \$1,400,000 over the property at 313 Clarke Road, with a net book value of \$441,575.	\$ 164,807	\$ 171,746
Less amounts due within one year included in current liabilities	164,807	7,752
	<u>\$ -</u>	<u>\$ 163,994</u>

The aggregate amount of principal payments estimated to be required until maturity are as follows:

2020	\$ 164,807
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The terms of the credit facility agreement with the bank plus the 313 Clarke Road mortgage are secured by real property and a general security agreement. This debt is subject to certain financial covenant requirements to its lender. As at March 31, 2019, the Society is in compliance with these covenants.

## 11. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent restricted contributions which are used to renovate and upgrade buildings and equipment. The changes in the deferred contributions balance are as follows:

	2019	2018
Beginning balance	\$ 208,279	\$ 244,279
Add contributions received	82,581	-
Less amounts amortized to revenue	(46,577)	(36,000)
Ending balance	<u>\$ 244,283</u>	<u>\$ 208,279</u>

The above funding is amortized to revenue on a straight-line basis on the same basis as the related asset's useful life.

# ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2019

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## 12. STATEMENT OF CASH FLOWS

The change in non-cash working capital balances related to operations referred to in the statement is determined as follows:

	2019	2018
(INCREASE) DECREASE IN CURRENT ASSETS:		
Accounts receivable	\$ (18,760)	\$ 17,331
Prepaid expenses	(79)	(1,817)
Government remittances recoverable	63,245	(51,328)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	81,662	240,205
Deferred contributions	(227,684)	192,920
Net change	<u>\$ (101,616)</u>	<u>\$ 397,311</u>

# ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2019

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## 13. FINANCIAL INSTRUMENTS RISK MANAGEMENT

Transactions in financial instruments may result in financial risks being assumed by the Society on transferring to another party. The risks identified by the Society are as follows:

### **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 Society provides credit to fee for service clients in the normal course of its operations. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for bad debts, if necessary. The Society does not have significant credit risk.

### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting financial obligations as they become due. The Society considers it has sufficient cash and investment resources to meet future financial obligations.

### **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. The Society is exposed to market risk to the extent of its investments in marketable securities.

### **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is exposed to currency risk as it holds investments in a foreign currency and does not use derivative financial instruments to reduce its exposure to foreign currency risk.

### **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 Society's long-term debt is subject to variable rates of interest. Accordingly the Society is exposed to interest rate risk resulting in changes to future interest rates applicable to its long-term debt.

The nature and extent of the Society's exposure to the above risks did not change during the fiscal year.