

ST. LEONARD'S SOCIETY OF LONDON

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

Financial Statements

Year ended March 31, 2018



Bringing Solutions Together

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of St. Leonard's Society of London, which comprise the Statement of Financial Position as at March 31, 2018, 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 is 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 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, St. Leonard's Society of London derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of St. Leonard's Society of London and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenue over expenses, net assets, current assets, total assets and cash flows for the year ended March 31, 2018.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of St. Leonard's Society of London as at March 31, 2018, and its financial performance and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.



London, Ontario
July 5, 2018

**Chartered Professional Accountants
Licensed Public Accountants**

ST. LEONARD'S SOCIETY OF LONDON

Statement of Financial Position as at March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 1,426,725	\$ 1,688,289
Marketable securities (Note 3)	1,209,692	-
Accounts receivable	396,774	414,105
Government remittances recoverable	105,655	54,327
Prepaid expenses	11,674	9,857
	<u>3,150,520</u>	<u>2,166,578</u>
CAPITAL ASSETS (Note 5)	<u>2,136,568</u>	<u>2,281,195</u>
	<u>\$ 5,287,088</u>	<u>\$ 4,447,773</u>
LIABILITIES		
CURRENT (Note 6)		
Accounts payable and accrued liabilities	\$ 403,593	\$ 376,874
Amounts payable to government funders (Note 7)	322,191	108,706
Deferred contributions (Note 8)	288,668	95,748
Long-term debt due within one year (Note 10)	7,752	7,461
	<u>1,022,204</u>	<u>588,789</u>
LONG-TERM DEBT (Note 10)	163,994	171,458
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 11)	208,279	244,279
	<u>1,394,477</u>	<u>1,004,526</u>
NET ASSETS		
Internally Restricted (Note 9)	1,834,350	1,234,350
Invested in Capital Assets	1,756,543	1,857,995
Unrestricted Net Assets	301,718	350,902
	<u>3,892,611</u>	<u>3,443,247</u>
	<u>\$ 5,287,088</u>	<u>\$ 4,447,773</u>

APPROVED BY THE DIRECTORS:

Director

Director

ST. LEONARD'S SOCIETY OF LONDON

Statement of Changes in Net Assets

Year ended March 31, 2018

	Internally Restricted	Invested in Capital Assets	Unrestricted	Total	
				2018	2017
BALANCE, Beginning of year	\$ 1,234,350	\$ 1,857,995	\$ 350,902	\$ 3,443,247	\$ 2,859,229
Excess (deficiency) of revenue over expenses	-	(140,327)	589,691	449,364	584,018
Interfund transfers (Note 9)	600,000	-	(600,000)	-	-
Investment in capital assets	-	38,875	(38,875)	-	-
BALANCE, End of year	\$ 1,834,350	\$ 1,756,543	\$ 301,718	\$ 3,892,611	\$ 3,443,247

ST. LEONARD'S SOCIETY OF LONDON

Statement of Operations
Year ended March 31, 2018

	2018	2017
REVENUE (Schedule)	<u>\$ 7,078,172</u>	<u>\$ 6,515,570</u>
EXPENSES (Schedule)		
Administrative	401,163	387,617
Infrastructure	682,628	561,882
Support services	<u>5,549,689</u>	<u>4,982,053</u>
	<u>6,633,480</u>	<u>5,931,552</u>
EXCESS REVENUE OVER EXPENSES BEFORE THE FOLLOWING	444,692	584,018
UNREALIZED GAIN ON INVESTMENTS (Note 3)	<u>4,672</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 449,364</u>	<u>\$ 584,018</u>

ST. LEONARD'S SOCIETY OF LONDON

Schedule of Revenue
Year ended March 31, 2018

	2018	2017
REVENUE		
Ministry of Community and Social Services and Ministry of Children and Youth Services	\$ 2,554,849	\$ 2,327,407
Correctional Services Canada	1,850,463	1,911,463
Ministry of Health and Long-Term Care	798,184	716,544
Fee allocations (Note 4)	671,373	588,493
City of London - HPS	398,423	172,572
St. Joseph's Health Care	398,250	338,400
Rental (Note 4)	181,202	191,171
City of London - CHIPI	167,887	292,186
Other support	165,135	74,417
School Boards	157,722	171,080
Attorney General	155,123	161,400
Ministry of Community Safety & Correctional Services	143,052	114,739
Employment and other grants	86,603	34,745
Operation Springboard	76,800	76,800
HST rebate	72,291	71,429
Amortization of deferred contributions (Note 11)	36,000	43,957
Interest and investment	27,768	11,008
Donations	2,674	-
Less: revenue charges to programs (Note 4)	(865,627)	(782,241)
	<u>\$ 7,078,172</u>	<u>\$ 6,515,570</u>

ST. LEONARD'S SOCIETY OF LONDON

Schedule of Expenses

Year ended March 31, 2018

	2018	2017
ADMINISTRATIVE		
Administration	\$ 671,373	\$ 588,573
Office and computer	149,290	98,166
Insurance - property and liability	64,483	62,601
Consultations	62,098	78,226
Telephone	60,027	68,851
Professional fees	27,273	30,436
Promotion	17,675	11,353
Rental of equipment	10,119	17,747
External dues and memberships	7,723	13,777
Board meetings	2,313	5,485
Bank service charges	162	975
Less: internal charges to programs (Note 4)	(671,373)	(588,573)
	<u>\$ 401,163</u>	<u>\$ 387,617</u>
INFRASTRUCTURE		
Preventive maintenance	\$ 224,501	\$ 101,615
Rent allocation	194,254	193,668
Amortization	176,327	182,670
HST expense	105,716	103,269
Utilities	65,667	77,476
Contracted services	60,084	48,782
Household and sanitary supply	28,496	24,254
Equipment maintenance	14,748	15,541
Interest on long-term debt	7,089	8,275
Less: internal charges to programs (Note 4)	(194,254)	(193,668)
	<u>\$ 682,628</u>	<u>\$ 561,882</u>
SUPPORT SERVICES		
Salaries and employee benefits	\$ 4,889,183	\$ 4,402,354
Client care and consulting	218,109	132,729
Travel	167,949	134,770
Food	121,625	114,980
Consulting and support	67,705	26,029
Staff training	44,196	96,043
Client incidentals	30,833	33,037
Staff recruitment	7,568	31,220
Conferences	2,521	9,779
Miscellaneous	-	1,112
	<u>\$ 5,549,689</u>	<u>\$ 4,982,053</u>

ST. LEONARD'S SOCIETY OF LONDON

Statement of Cash Flows
Year ended March 31, 2018

	2018	2017
Cash provided by (used in):		
OPERATING		
Excess of revenue over expenses	\$ 449,364	\$ 584,018
Add (deduct) non-cash items:		
Amortization of capital assets	176,327	182,670
Amortization of deferred contributions related to capital assets	(36,000)	(43,957)
Unrealized gain on investments	(4,672)	-
Change in non-cash working capital (Note 12)	397,311	62,201
	<u>982,330</u>	<u>784,932</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(31,700)	(47,910)
Funding received for purchase of capital assets	-	22,760
Purchase of marketable securities	(1,794,048)	-
Proceeds from sale of marketable securities	589,027	-
	<u>(1,236,721)</u>	<u>(25,150)</u>
FINANCING ACTIVITIES		
Payments on long-term debt	(7,173)	(46,679)
INCREASE (DECREASE) IN CASH DURING THE YEAR	<u>(261,564)</u>	<u>713,103</u>
Cash, Beginning of year	1,688,289	975,186
CASH, END OF YEAR	<u>\$ 1,426,725</u>	<u>\$ 1,688,289</u>

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2018

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, 2018

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.

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. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2018

3. MARKETABLE SECURITIES

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

	2018	2017
Investments held (book value \$1,205,020)	\$ 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.

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	
			2018	2017
Land	\$ 853,000	\$ -	\$ 853,000	\$ 853,000
Buildings	2,942,607	1,742,349	1,200,258	1,327,584
Furniture and equipment	392,348	382,561	9,787	23,884
Automobile	237,868	190,197	47,671	75,733
Software	78,776	52,924	25,852	994
	<u>\$ 4,504,599</u>	<u>\$ 2,368,031</u>	<u>\$ 2,136,568</u>	<u>\$ 2,281,195</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 \$1,190,202 (2017 - \$1,249,734). As at March 31, 2018, the balance outstanding was \$NIL (2017 - \$NIL).

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2018

7. AMOUNTS PAYABLE TO GOVERNMENT FUNDERS

	2018	2017
MOHLTC - LHIN	\$ 136,111	\$ 30,364
MH Diversion, EJS-ACP Pilot	102,459	-
Correctional Services Canada	48,938	48,938
MCSS - SIL	19,151	-
Ministry of the Attorney General	10,558	3,233
MCYS-YJS	4,974	24,795
City of London	-	1,376
	<u>\$ 322,191</u>	<u>\$ 108,706</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:

	2018	2017
Beginning balance, related to operating funding	\$ 95,748	\$ 226,929
Less amount recognized as revenue in the year	(95,748)	(226,929)
Add amount received related to the following year	288,668	95,748
Ending balance, related to operating funding	<u>\$ 288,668</u>	<u>\$ 95,748</u>

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

	2018	2017
CHPI Project Home Fund	\$ 208,511	\$ -
Housing Allowance	51,719	70,997
Donations - Youth Katu	17,833	10,535
Donation - Adrenaline	7,272	7,272
Peer Power LDCSB	3,333	3,055
Insurance claim	-	3,547
Fence repair	-	342
	<u>\$ 288,668</u>	<u>\$ 95,748</u>

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2018

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.

In the current year, the Board approved a transfer of \$600,000 to the contingency reserve fund.

10. LONG-TERM DEBT

	2018	2017
Prime + 1% mortgage repayable in monthly principal and interest instalments of \$1,182, 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 \$466,361.	\$ 171,746	\$ 178,919
Less amounts due within one year included in current liabilities	7,752	7,461
	<u>\$ 163,994</u>	<u>\$ 171,458</u>

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

2019	\$ 7,752
2020	163,994

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, 2018, the Society is in compliance with these covenants.

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2018

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:

	2018	2017
Beginning balance	\$ 244,279	\$ 265,476
Add contributions received	-	22,760
Less amounts amortized to revenue	(36,000)	(43,957)
Ending balance	<u>\$ 208,279</u>	<u>\$ 244,279</u>

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

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:

	2018	2017
(INCREASE) DECREASE IN CURRENT ASSETS:		
Accounts receivable	\$ 17,331	\$ 196,224
Prepaid expenses	(1,817)	(494)
Government remittances recoverable	(51,328)	(74,745)
INCREASE (DECREASE) IN CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	240,205	72,396
Deferred contributions	192,920	(131,180)
Net change	<u>\$ 397,311</u>	<u>\$ 62,201</u>

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2018

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 Society had no exposure to market risk in the prior year. During the year, the Society purchased marketable securities that are subject to market risk. Otherwise the nature and the concentration of the above risks are unchanged from the prior year.

14. RECLASSIFICATIONS

Certain of the comparative figures for the preceding year have been reclassified to conform with the statement presentation adopted for the current year. These changes do not affect prior years' excess (deficiency) of revenue over expenses.