

ST. LEONARD'S SOCIETY OF LONDON

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

Financial Statements

Year ended March 31, 2020



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, 2020, 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, 2020 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 years ended March 31, 2019 and March 31, 2020, current assets and net assets for the years 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.

Emphasis of Matter

We draw attention to Note 12 of the financial statements, which describes the effects of the COVID-19 pandemic on the Society's operations. Our opinion is not modified in respect of this matter.

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.

Bringing Solutions Together

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.

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 23, 2020

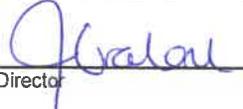
**Chartered Professional Accountants
Licensed Public Accountants**

ST. LEONARD'S SOCIETY OF LONDON

Statement of Financial Position as at March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 1,282,512	\$ 1,131,257
Marketable securities (Note 3)	1,742,175	1,857,239
Accounts receivable	634,180	415,534
Government remittances recoverable	48,433	42,410
Prepaid expenses	18,759	11,753
	<u>3,726,059</u>	<u>3,458,193</u>
CAPITAL ASSETS (Note 5)	<u>2,124,908</u>	<u>2,047,383</u>
	<u>\$ 5,850,967</u>	<u>\$ 5,505,576</u>
LIABILITIES		
CURRENT (Note 6)		
Accounts payable and accrued liabilities	\$ 383,573	\$ 387,035
Amounts payable to government funders (Note 7)	479,085	420,411
Deferred contributions (Note 8)	86,784	60,984
Long-term debt due within one year	-	164,807
	<u>949,442</u>	<u>1,033,237</u>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 10)	<u>433,763</u>	<u>244,283</u>
	<u>1,383,205</u>	<u>1,277,520</u>
NET ASSETS		
Internally Restricted (Note 9)	1,834,350	1,834,350
Invested in Capital Assets	1,691,143	1,638,292
Unrestricted Net Assets	<u>942,269</u>	<u>755,414</u>
	<u>4,467,762</u>	<u>4,228,056</u>
	<u>\$ 5,850,967</u>	<u>\$ 5,505,576</u>

APPROVED BY THE DIRECTORS:


Director


Director

ST. LEONARD'S SOCIETY OF LONDON

Statement of Changes in Net Assets

Year ended March 31, 2020

	Internally Restricted	Invested in Capital Assets	Unrestricted	Total	
				2020	2019
BALANCE, Beginning of year	\$ 1,834,350	\$ 1,638,292	\$ 755,414	\$ 4,228,056	\$ 3,892,611
Net Revenue	-	(111,956)	351,662	239,706	335,445
Investment in capital assets	-	164,807	(164,807)	-	-
BALANCE, End of year	\$ 1,834,350	\$ 1,691,143	\$ 942,269	\$ 4,467,762	\$ 4,228,056

ST. LEONARD'S SOCIETY OF LONDON

Statement of Operations
Year ended March 31, 2020

	2020	2019
REVENUE (Schedule)	<u>\$ 8,113,312</u>	<u>\$ 7,607,320</u>
EXPENSES (Schedule)		
Administrative	401,798	401,577
Infrastructure	612,834	616,762
Support services	<u>6,696,335</u>	<u>6,248,880</u>
	<u>7,710,967</u>	<u>7,267,219</u>
NET REVENUE BEFORE THE FOLLOWING	402,345	340,101
UNREALIZED GAIN (LOSS) ON INVESTMENTS (Note 3)	(141,593)	2,281
LOSS ON DISPOSAL OF CAPITAL ASSETS	<u>(21,046)</u>	<u>(6,937)</u>
NET REVENUE	<u>\$ 239,706</u>	<u>\$ 335,445</u>

ST. LEONARD'S SOCIETY OF LONDON

Schedule of Revenue
Year ended March 31, 2020

	2020	2019
REVENUE		
Ministry of Community and Social Services and Ministry of Children and Youth Services	\$ 2,596,799	\$ 2,664,452
Correctional Services Canada	1,945,269	1,835,122
Ministry of Health and Long-Term Care	1,332,587	1,054,628
City of London - HPS	881,560	668,045
Fee allocations (Note 4)	758,022	703,343
St. Joseph's Health Care	429,525	436,950
Ministry of Attorney General	174,612	164,400
Rental (Note 4)	171,415	181,942
School Boards	162,785	159,750
Ministry of Community Safety & Correctional Services	148,627	171,102
Interest and investment	96,764	99,068
Operation Springboard	76,800	76,800
HST rebate	73,780	74,759
Employment and other grants	67,942	62,493
Amortization of deferred contributions (Note 10)	63,704	46,577
Other support	61,767	103,565
Donations	791	2,661
Less: revenue charges to programs (Note 4)	(929,437)	(898,337)
	<u>\$ 8,113,312</u>	<u>\$ 7,607,320</u>

ST. LEONARD'S SOCIETY OF LONDON

Schedule of Expenses

Year ended March 31, 2020

	2020	2019
ADMINISTRATIVE		
Administration	\$ 758,022	\$ 703,343
Office and computer	120,156	128,006
Insurance - property and liability	74,548	69,764
Telephone	64,945	62,556
Professional fees	41,035	41,547
Consultations	30,630	53,311
Investment management fees	20,829	17,820
External dues and memberships	15,725	6,293
Promotion	14,058	13,306
Pandemic	9,364	-
Rental of equipment	8,047	7,153
Board meetings	1,729	1,114
Bank service charges	732	707
Less: internal charges to programs (Note 4)	(758,022)	(703,343)
	<u>\$ 401,798</u>	<u>\$ 401,577</u>
INFRASTRUCTURE		
Rent allocation	\$ 186,546	\$ 194,994
Amortization	175,660	176,661
HST expense	105,887	108,605
Preventive maintenance	86,812	130,891
Contracted services	73,084	78,063
Utilities	67,933	67,121
Equipment and office furniture	64,067	22,611
Household and sanitary supply	19,243	24,856
Interest on long-term debt	5,017	7,954
Less: internal charges to programs (Note 4)	(171,415)	(194,994)
	<u>\$ 612,834</u>	<u>\$ 616,762</u>
SUPPORT SERVICES		
Salaries and employee benefits	\$ 5,852,508	\$ 5,420,782
Client care and program supplies	336,102	273,468
Travel	179,224	184,793
Consulting and support	120,480	148,862
Food	112,714	123,137
Staff training	61,366	68,043
Client incidentals	25,414	24,535
Conferences	5,979	2,283
Staff recruitment	2,548	4,645
Miscellaneous	-	(1,668)
	<u>\$ 6,696,335</u>	<u>\$ 6,248,880</u>

ST. LEONARD'S SOCIETY OF LONDON

Statement of Cash Flows
Year ended March 31, 2020

	2020	2019
Cash provided by (used in):		
OPERATING		
Net revenue	\$ 239,706	\$ 335,445
Add (deduct) non-cash items:		
Amortization of capital assets	175,660	176,661
Loss on disposal of capital assets	21,046	6,937
Amortization of deferred contributions related to capital assets	(63,704)	(46,577)
Unrealized (gain) loss on investments	141,593	(2,281)
Change in non-cash working capital		
Accounts receivable	(218,646)	(18,760)
Prepaid expenses	(7,006)	(79)
Government remittances recoverable	(6,023)	63,245
Accounts payable and accrued liabilities	55,210	81,662
Deferred contributions	25,800	(227,684)
	<u>363,636</u>	<u>368,569</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(253,184)	(90,123)
Proceeds from disposals of capital assets	2,930	400
Purchase of marketable securities	(362,626)	(834,999)
Proceeds from sale of marketable securities	312,122	185,043
	<u>(300,758)</u>	<u>(739,679)</u>
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	253,184	82,581
Principal payments on long-term debt	(164,807)	(6,939)
	<u>88,377</u>	<u>75,642</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	151,255	(295,468)
Cash, Beginning of year	<u>1,131,257</u>	<u>1,426,725</u>
CASH, END OF YEAR	<u>\$ 1,282,512</u>	<u>\$ 1,131,257</u>

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2020

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. Cody Centre (including Reporting Centre Program)
4. Gallagher Centre
5. Youth Justice Directed Counselling
6. Peer Power Centre
7. Intensive Reintegration
8. Attendance Centre
9. Madame Louise Arbour
10. Direct Accountability
11. Intermittent/Sub Abuse Program
12. Restorative Approaches
13. The Supervised Independent Living Program
14. Reintegration Program
15. Fetal Alcohol Spectrum Disorder (FASD) Reintegration Program
16. C.K. Clarke Road Centre
17. Project Homes Program (formerly Housing First)
18. Human Services and Justice Coordinating Committee Project
19. Forensic Supportive Housing Program
20. MH Diversion Worker
21. Youth Justice Committees
22. Aftercare Pilot

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, 2020

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, 2020

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.

	2020	2019
Investments held (book value \$1,883,768)	\$ 1,742,175	\$ 1,857,239

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 loss on investments as at March 31, 2020 was \$141,593 (2019 - \$2,281 gain).

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	
			2020	2019
Land	\$ 853,000	\$ -	\$ 853,000	\$ 853,000
Buildings	3,151,204	1,991,319	1,159,885	1,072,932
Furniture and equipment	399,890	394,818	5,072	11,192
Automobile	320,757	226,476	94,281	91,249
Software	78,776	66,106	12,670	19,010
	<u>\$ 4,803,627</u>	<u>\$ 2,678,719</u>	<u>\$ 2,124,908</u>	<u>\$ 2,047,383</u>

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2020

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 \$1,113,287, (2019 - \$1,130,670). As at March 31, 2020, the balance outstanding was \$NIL (2019 - \$NIL).

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, 2020, the Society is in compliance with these covenants.

7. AMOUNTS PAYABLE TO GOVERNMENT FUNDERS

	2020	2019
MOHLTC - LHIN	\$ 262,376	\$ 199,794
MCYS Youth Justice Programs	133,303	103,228
MCCSS - SIL	76,504	67,545
Ministry of the Attorney General	6,820	906
Correctional Services Canada	82	48,938
	<u>\$ 479,085</u>	<u>\$ 420,411</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:

	2020	2019
Beginning balance	\$ 60,984	\$ 288,668
Add: amounts received in the year	524,594	379,979
Less: amounts recognized as revenue in the year	(498,794)	(607,663)
Ending balance	<u>\$ 86,784</u>	<u>\$ 60,984</u>

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

	2020	2019
CSC funding	\$ 48,939	\$ -
Donations - Youth Katu	25,714	22,795
Donation - Adrenaline	7,272	7,272
Peer Power LDCSB	3,333	3,333
Other miscellaneous	1,004	-
Donation - miscellaneous	382	-
Donation - Youth Richard	140	140
CHPI Project Home Fund	-	27,444
	<u>\$ 86,784</u>	<u>\$ 60,984</u>

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2020

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.

10. 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:

	2020	2019
Beginning balance	\$ 244,283	\$ 208,279
Add contributions received	253,184	82,581
Less amounts amortized to revenue	(63,704)	(46,577)
Ending balance	<u>\$ 433,763</u>	<u>\$ 244,283</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, 2020

11. 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 is not exposed to significant interest rate risk.

The Society was previously exposed to interest rate risk through its variable rate mortgage. The Society repaid its mortgage in the year, and is no longer exposed to interest rate risk. Otherwise, the Society's exposure to the above risks did not change during the fiscal year.

12. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This pandemic could impact funding and operating costs in the near future. The impact to the Society is not determinable at the date of these financial statements; however, it may be material and could include changes to operations and the financial position of the Society.

The Society received approval to use unspent Ministry of Health funds to support costs related to the pandemic. Expenses incurred during the year that are directly related to the pandemic are disclosed separately in the schedule of expenses.