

ST. LEONARD'S SOCIETY OF LONDON

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

Financial Statements

Year ended March 31, 2021



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, 2021, and the Statements of Operations, 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, 2021 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, net revenue, and cash flows from operations for the years ended March 31, 2020 and March 31, 2021, 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 10 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 15, 2021

**Chartered Professional Accountants
Licensed Public Accountants**

ST. LEONARD'S SOCIETY OF LONDON

Statement of Financial Position as at March 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 1,803,681	\$ 1,282,512
Marketable securities (Note 3)	2,431,516	1,742,175
Accounts receivable	312,058	634,180
Government remittances recoverable	85,640	48,433
Prepaid expenses	39,787	18,759
	<u>4,672,682</u>	<u>3,726,059</u>
CAPITAL ASSETS (Note 5)	<u>2,188,137</u>	<u>2,124,908</u>
	<u>\$ 6,860,819</u>	<u>\$ 5,850,967</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 279,516	\$ 383,573
Amounts payable to government funders (Note 6)	838,849	479,085
Deferred contributions (Note 7)	83,666	86,784
	<u>1,202,031</u>	<u>949,442</u>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	<u>545,325</u>	<u>433,763</u>
	<u>1,747,356</u>	<u>1,383,205</u>
NET ASSETS		
Internally Restricted (Note 8)	1,834,350	1,834,350
Invested in Capital Assets	1,642,812	1,691,143
Unrestricted Net Assets	1,636,301	942,269
	<u>5,113,463</u>	<u>4,467,762</u>
	<u>\$ 6,860,819</u>	<u>\$ 5,850,967</u>

APPROVED BY THE DIRECTORS:

Director

Director

ST. LEONARD'S SOCIETY OF LONDON

Statement of Changes in Net Assets

Year ended March 31, 2021

	Internally Restricted	Invested in Capital Assets	Unrestricted	Total	
				2021	2020
BALANCE, Beginning of year	\$ 1,834,350	\$ 1,691,143	\$ 942,269	\$ 4,467,762	\$ 4,228,056
Net revenue	-	(103,043)	748,744	645,701	239,706
Investment in capital assets	-	54,712	(54,712)	-	-
BALANCE, End of year	\$ 1,834,350	\$ 1,642,812	\$ 1,636,301	\$ 5,113,463	\$ 4,467,762

ST. LEONARD'S SOCIETY OF LONDON

Statement of Operations
Year ended March 31, 2021

	2021	2020
REVENUE (Schedule)	<u>\$ 9,714,190</u>	<u>\$ 8,113,313</u>
EXPENSES (Schedule)		
Administrative	626,410	401,799
Infrastructure	720,159	612,834
Support services	<u>8,069,678</u>	<u>6,696,335</u>
	<u>9,416,247</u>	<u>7,710,968</u>
NET REVENUE BEFORE THE FOLLOWING	297,943	402,345
Unrealized gain (loss) on investments (Note 3)	326,212	(141,593)
Loss on sale of investments	(978)	(21,046)
Temporary wage subsidy (Note 11)	<u>22,524</u>	<u>-</u>
NET REVENUE	<u>\$ 645,701</u>	<u>\$ 239,706</u>

ST. LEONARD'S SOCIETY OF LONDON

Schedule of Revenue
Year ended March 31, 2021

	2021	2020
REVENUE		
Ministry of Children Community and Social Services	\$ 2,743,837	\$ 2,596,799
Correctional Services Canada	1,923,222	1,938,893
City of London	1,645,312	881,560
Ministry of Health	1,541,192	1,332,587
Fee allocations (Note 4)	868,397	758,022
St. Joseph's Health Care	453,585	429,525
Employment and other grants	233,420	74,318
Pandemic pay	178,263	-
Rental (Note 4)	169,574	171,415
School Boards	164,060	162,785
Ministry of Attorney General	159,419	174,612
Ministry of the Solicitor General	158,165	148,627
HST rebate	108,327	73,780
Amortization of deferred contributions (Note 9)	86,160	63,704
Wage enhancement	83,283	-
Operation Springboard	76,800	76,800
Investment	53,013	73,344
One-time pandemic funding	46,876	-
Client rentals	30,414	-
Donations	11,203	791
Interest	10,150	23,421
Other support	7,489	61,767
Less: revenue charges to programs (Note 4)	(1,037,971)	(929,437)
	<u>\$ 9,714,190</u>	<u>\$ 8,113,313</u>

ST. LEONARD'S SOCIETY OF LONDON

Schedule of Expenses

Year ended March 31, 2021

	2021	2020
ADMINISTRATIVE		
Administration	\$ 868,397	\$ 758,022
Office and computer	172,969	120,156
Pandemic (Note 10)	158,074	9,364
Insurance - property and liability	84,111	74,548
Telephone	80,180	64,945
Professional fees	51,099	41,035
Consultations	24,041	30,630
Promotion	13,800	14,058
Rental of equipment	8,468	8,047
External dues and memberships	7,759	15,725
Bank service charges	955	733
Board meetings	604	1,729
Investment management fees	24,350	20,829
Less: internal charges to programs (Note 4)	(868,397)	(758,022)
	<u>\$ 626,410</u>	<u>\$ 401,799</u>
INFRASTRUCTURE		
Amortization	\$ 189,203	\$ 175,660
Rent allocation	169,574	171,415
HST expense	156,780	105,887
Preventive maintenance	90,238	86,812
Equipment and office furniture	85,490	64,067
Utilities	68,915	67,933
Contracted services	61,988	73,084
Rent - external	48,011	15,131
Household and sanitary supply	19,534	19,243
Interest on long-term debt	-	5,017
Less: internal charges to programs (Note 4)	(169,574)	(171,415)
	<u>\$ 720,159</u>	<u>\$ 612,834</u>
SUPPORT SERVICES		
Salaries and employee benefits	\$ 6,969,625	\$ 5,852,508
Client care and program supplies	592,515	336,102
Food	120,489	112,714
Consulting and support	112,800	120,480
Travel	108,237	179,224
Staff training	73,380	61,366
Human Services and Justice Coordinating Committee	58,994	-
Client incidentals	28,798	25,414
Staff recruitment	4,729	2,548
Miscellaneous	111	-
Conferences	-	5,979
	<u>\$ 8,069,678</u>	<u>\$ 6,696,335</u>

ST. LEONARD'S SOCIETY OF LONDON

Statement of Cash Flows
Year ended March 31, 2021

	2021	2020
Cash provided by (used in):		
OPERATING		
Net revenue	\$ 645,701	\$ 239,706
Add (deduct) non-cash items:		
Amortization of capital assets	189,203	175,660
Loss on sale of investments	978	21,046
Amortization of deferred contributions related to capital assets	(86,160)	(63,704)
Unrealized (gain) loss on investments	(326,212)	141,593
Change in non-cash working capital		
Accounts receivable	322,122	(218,646)
Prepaid expenses	(21,028)	(7,006)
Government remittances recoverable	(37,207)	(6,023)
Accounts payable and accrued liabilities	255,709	55,210
Deferred contributions	(3,118)	25,800
	<u>939,988</u>	<u>363,636</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(252,434)	(253,184)
Proceeds from disposals of capital assets	-	2,930
Purchase of marketable securities	(455,310)	(362,626)
Proceeds from sale of marketable securities	91,203	312,122
	<u>(616,541)</u>	<u>(300,758)</u>
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	197,722	253,184
Principal payments on long-term debt	-	(164,807)
	<u>197,722</u>	<u>88,377</u>
INCREASE IN CASH DURING THE YEAR	521,169	151,255
Cash, Beginning of year	<u>1,282,512</u>	<u>1,131,257</u>
CASH, END OF YEAR	<u>\$ 1,803,681</u>	<u>\$ 1,282,512</u>

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2021

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
23. Justice Centre
24. Supportive Housing

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, 2021

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
Leasehold improvements	15 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, 2021

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 useful lives of capital assets, amortization rates and methods, administration expense allocations 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.

	2021	2020
Investments held (book value \$2,247,518)	\$ 2,431,516	\$ 1,742,175

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, 2021 was \$362,212 (2020 - \$141,593 loss).

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	
			2021	2020
Land	\$ 853,000	\$ -	\$ 853,000	\$ 853,000
Buildings	3,298,589	2,119,312	1,179,277	1,159,885
Furniture and equipment	405,917	398,060	7,857	5,072
Automobile	381,188	258,182	123,006	94,281
Software	78,776	72,446	6,330	12,670
Leasehold improvements	20,000	1,333	18,667	-
	<u>\$ 5,037,470</u>	<u>\$ 2,849,333</u>	<u>\$ 2,188,137</u>	<u>\$ 2,124,908</u>

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2021

6. AMOUNTS PAYABLE TO GOVERNMENT FUNDERS

	2021	2020
MOH - LHIN	\$ 520,582	\$ 262,376
MCYS Youth Justice Programs	227,823	133,303
MCCSS - SIL	83,728	76,504
Ministry of the Attorney General	6,716	6,820
Correctional Services Canada	-	82
	<u>\$ 838,849</u>	<u>\$ 479,085</u>

7. 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:

	2021	2020
Beginning balance	\$ 86,784	\$ 60,984
Add: amounts received in the year	2,105,257	524,594
Less: amounts recognized as revenue in the year	(2,108,375)	(498,794)
Ending balance	<u>\$ 83,666</u>	<u>\$ 86,784</u>

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

	2021	2020
MAG Justice Centre	\$ 43,249	\$ -
Donations - Youth Katu	26,876	25,714
Donation - Adrenaline	7,272	7,272
Peer Power LDCSB	3,333	3,333
Other miscellaneous	2,414	1,004
Donation - miscellaneous	382	382
Donation - Youth Richard	140	140
CSC funding	-	48,939
	<u>\$ 83,666</u>	<u>\$ 86,784</u>

8. 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, 2021

9. 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:

	2021	2020
Beginning balance	\$ 433,763	\$ 244,283
Add contributions received	197,722	253,184
Less amounts amortized to revenue	(86,160)	(63,704)
Ending balance	<u>\$ 545,325</u>	<u>\$ 433,763</u>

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

10. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This pandemic has and could continue to 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.

11. GOVERNMENT ASSISTANCE

During the year the Society applied and was approved for a federal subsidy of \$22,524 as part of the Temporary Wage Subsidy (TWS) program. The purpose of the program is to enable businesses affected by COVID-19 to re-hire and retain employees.

12. RECLASSIFICATIONS

Certain of the corresponding figures for the preceding year have been reclassified to conform with the statement presentation adopted for the current year. These changes do not affect the prior years' net revenue.

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.

ST. LEONARD'S SOCIETY OF LONDON

Notes to Financial Statements

March 31, 2021

12. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

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