

St. Leonard's Society of London

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

Financial Statements

Year ended March 31, 2022



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, 2022, 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, 2022 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, 2022 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.

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 21, 2022

**Chartered Professional Accountants
Licensed Public Accountants**

St. Leonard's Society of London

Statement of Financial Position as at March 31, 2022

	2022	2021
Assets		
Current		
Cash	\$ 1,649,234	\$ 1,803,681
Marketable securities (Note 2)	3,249,792	2,431,516
Accounts receivable	491,668	312,058
Government remittances recoverable	75,691	85,640
Prepaid expenses	59,560	39,787
	<u>5,525,945</u>	<u>4,672,682</u>
Capital Assets (Note 4)	<u>2,048,510</u>	<u>2,188,137</u>
	<u>\$ 7,574,455</u>	<u>\$ 6,860,819</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 303,607	\$ 279,516
Amounts payable to government funders (Note 5)	1,197,749	838,849
Deferred contributions (Note 6)	42,427	83,666
	<u>1,543,783</u>	<u>1,202,031</u>
Deferred contributions related to capital assets (Note 8)	<u>503,429</u>	<u>545,325</u>
	<u>2,047,212</u>	<u>1,747,356</u>
Net Assets		
Internally Restricted (Note 7)	1,787,350	1,834,350
Invested in Capital Assets	1,545,075	1,642,812
Unrestricted Net Assets	<u>2,194,818</u>	<u>1,636,301</u>
	<u>5,527,243</u>	<u>5,113,463</u>
	<u>\$ 7,574,455</u>	<u>\$ 6,860,819</u>

Approved by the Directors:

Director



Director



St. Leonard's Society of London

Statement of Changes in Net Assets
Year ended March 31, 2022

	Internally Restricted	Invested in Capital Assets	Unrestricted	Total	
				2022	2021
Balance, beginning of year	\$ 1,834,350	\$ 1,642,812	\$ 1,636,301	\$ 5,113,463	\$ 4,467,762
Net revenue	-	(97,737)	511,517	413,780	645,701
Interfund transfers (Note 7)	(47,000)	-	47,000	-	-
Balance, end of year	\$ 1,787,350	\$ 1,545,075	\$ 2,194,818	\$ 5,527,243	\$ 5,113,463

St. Leonard's Society of London

Statement of Operations
Year ended March 31, 2022

	2022	2021
Revenue (Schedule)	<u>\$ 10,934,710</u>	<u>\$ 9,714,189</u>
Expenses (Schedule)		
Administrative	505,828	626,409
Infrastructure	1,007,669	720,159
Support services	<u>9,048,668</u>	<u>8,069,678</u>
	<u>10,562,165</u>	<u>9,416,246</u>
Net revenue before the following	372,545	297,943
Unrealized gain on investments (Note 2)	14,408	326,212
Gain (loss) on sale of investments	26,827	(978)
Temporary wage subsidy	<u>-</u>	<u>22,524</u>
Net revenue	<u>\$ 413,780</u>	<u>\$ 645,701</u>

St. Leonard's Society of London

Schedule of Revenue

Year ended March 31, 2022

	2022	2021
Revenue		
Ministry of Children Community and Social Services	\$ 2,959,835	\$ 2,743,837
City of London	2,235,264	1,645,312
Correctional Services Canada	1,930,796	1,923,222
Ministry of Health	1,859,064	1,541,192
Fee allocations (Note 3)	972,329	868,397
St. Joseph's Health Care	508,650	453,585
Employment and other grants	283,186	239,896
Ministry of Attorney General	234,278	159,419
School Boards	177,907	164,060
Ministry of the Solicitor General	166,001	158,165
Rental (Note 3)	153,532	169,574
Wage enhancement	140,293	83,283
HST rebate	109,999	108,327
Investment	98,576	53,013
Amortization of deferred contributions (Note 8)	91,536	86,160
Client rentals	79,409	30,414
Operation Springboard	19,200	76,800
One-time pandemic funding	18,833	46,876
Interest	15,088	10,150
Donations	5,790	11,203
Other support	1,005	1,012
Pandemic pay	-	178,263
Less: revenue charges to programs (Note 3)	(1,125,861)	(1,037,971)
	<u>\$ 10,934,710</u>	<u>\$ 9,714,189</u>

St. Leonard's Society of London

Schedule of Expenses

Year ended March 31, 2022

	2022	2021
Administrative		
Administration	\$ 972,329	\$ 868,397
Office and computer	157,532	172,969
Insurance - property and liability	112,834	84,111
Telephone	84,000	80,180
Pandemic	53,783	158,074
Investment management fees	29,347	24,350
Professional fees	23,910	51,099
External dues and memberships	21,363	7,759
Rental of equipment	8,808	8,468
Promotion	6,917	13,800
Consultations	4,888	24,041
Board meetings	1,235	604
Bank service charges	1,211	954
Less: internal charges to programs (Note 3)	(972,329)	(868,397)
	<u>\$ 505,828</u>	<u>\$ 626,409</u>
Infrastructure		
Preventive maintenance	\$ 335,664	\$ 90,238
Amortization	189,267	189,203
HST expense	161,438	156,780
Rent allocation	153,532	169,574
Rent - external	107,100	48,011
Utilities	70,854	68,915
Contracted services	58,466	61,988
Equipment and office furniture	55,183	85,490
Household and sanitary supply	29,697	19,534
Less: internal charges to programs (Note 3)	(153,532)	(169,574)
	<u>\$ 1,007,669</u>	<u>\$ 720,159</u>
Support Services		
Salaries and employee benefits	\$ 7,185,303	\$ 6,969,625
Client care and program supplies	1,208,422	592,515
Travel	208,118	108,237
Staff training	143,034	73,380
Consulting and support	121,318	112,800
Food	121,111	120,489
Human Services and Justice Coordinating Committee	37,804	58,994
Client incidentals	22,925	28,798
Staff recruitment	611	4,729
Miscellaneous	22	111
	<u>\$ 9,048,668</u>	<u>\$ 8,069,678</u>

St. Leonard's Society of London

Statement of Cash Flows
Year ended March 31, 2022

	2022	2021
Cash provided by (used in):		
Operating activities		
Net revenue	\$ 413,780	\$ 645,701
Add (deduct) non-cash items:		
Amortization of capital assets	189,267	189,203
(Gain)/loss on sale of investments	(26,827)	978
Amortization of deferred contributions related to capital assets	(91,536)	(86,160)
Unrealized (gain) loss on investments	(14,408)	(326,212)
Change in non-cash working capital		
Accounts receivable	(179,610)	322,122
Prepaid expenses	(19,773)	(21,028)
Government remittances recoverable	9,949	(37,207)
Accounts payable and accrued liabilities	382,995	255,712
Deferred contributions	(41,239)	(3,121)
	<u>622,598</u>	<u>939,988</u>
Investing activities		
Acquisition of capital assets	(49,640)	(252,434)
Purchase of marketable securities	(1,043,552)	(455,310)
Proceeds from sale of marketable securities	266,507	91,203
	<u>(826,685)</u>	<u>(616,541)</u>
Financing activities		
Deferred contributions related to capital assets	49,640	197,722
	<u>49,640</u>	<u>197,722</u>
Increase (decrease) in cash	(154,447)	521,169
Cash, beginning of year	1,803,681	1,282,512
Cash, end of year	\$ 1,649,234	\$ 1,803,681

St. Leonard's Society of London

Notes to Financial Statements

March 31, 2022

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 Supported 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

1. 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, 2022

1. 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.

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.

St. Leonard's Society of London

Notes to Financial Statements

March 31, 2022

2. Marketable Securities

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

	2022	2021
Investments held (book value \$3,051,386) (2020 - \$2,247,518)	\$ 3,249,792	\$ 2,431,516

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, 2022 was \$198,406 (2021 - \$183,998).

3. 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.

4. Capital Assets

	Cost	Accumulated Amortization	Net	
			2022	2021
Land	\$ 853,000	\$ -	\$ 853,000	\$ 853,000
Buildings	3,298,589	2,247,038	1,051,551	1,179,277
Furniture and equipment	405,917	400,772	5,145	7,857
Automobile	417,816	296,336	121,480	123,006
Software	78,776	78,776	-	6,330
Leasehold improvements	20,000	2,666	17,334	18,667
	\$ 5,074,098	\$ 3,025,588	\$ 2,048,510	\$ 2,188,137

5. Amounts Payable to Government Funders

	2022	2021
MOH - LHIN	\$ 651,079	\$ 550,582
MCYS Youth Justice Programs	290,265	227,823
City of London	149,576	-
MCCSS - SIL	85,326	83,728
Ministry of the Attorney General	21,503	6,716
	\$ 1,197,749	\$ 868,849

St. Leonard's Society of London

Notes to Financial Statements

March 31, 2022

6. 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:

	2022	2021
Beginning balance	\$ 83,666	\$ 86,784
Add: amounts received in the year	1,917,194	2,105,257
Less: amounts recognized as revenue in the year	(1,958,433)	(2,108,375)
Ending balance	<u>\$ 42,427</u>	<u>\$ 83,666</u>

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

	2022	2021
Donations - Youth Katu	\$ 27,383	\$ 26,876
Donation - Adrenaline	7,272	7,272
Other miscellaneous	3,917	2,414
Peer Power LDCSB	3,333	3,333
Donation - miscellaneous	382	382
Donation - Youth Richard	140	140
MAG Justice Centre	-	43,249
	<u>\$ 42,427</u>	<u>\$ 83,666</u>

7. 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.

During the year, the Society transferred \$47,000 from the Internally Restricted fund to the Unrestricted Fund to purchase computer software.

8. 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:

	2022	2021
Beginning balance	\$ 545,325	\$ 433,763
Add contributions received	49,640	197,722
Less amounts amortized to revenue	(91,536)	(86,160)
Ending balance	<u>\$ 503,429</u>	<u>\$ 545,325</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, 2022

9. 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. The Society mitigates this risk through the use of an independent investment advisor.

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 or concentration of the above risks did not change during the fiscal year.