

St. Leonard's Society of London

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

Financial Statements

Year ended March 31, 2023



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, 2023, 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, 2023 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, 2023 and March 31, 2022, 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 27, 2023


**Chartered Professional Accountants
Licensed Public Accountants**

St. Leonard's Society of London


Statement of Financial Position as at March 31, 2023

	2023	2022
Assets		
Current		
Cash	\$ 1,527,800	\$ 1,649,234
Marketable securities (Note 2)	3,551,711	3,249,792
Accounts receivable	279,945	491,668
Government remittances recoverable	72,908	75,691
Prepaid expenses	90,999	59,560
	<u>5,523,363</u>	<u>5,525,945</u>
Capital assets (Note 4)	<u>1,915,816</u>	<u>2,048,510</u>
	<u>\$ 7,439,179</u>	<u>\$ 7,574,455</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 433,491	\$ 303,607
Amounts payable to government funders (Note 5)	935,470	1,197,749
Deferred contributions (Note 6)	71,474	42,427
	<u>1,440,435</u>	<u>1,543,783</u>
Deferred contributions related to capital assets (Note 8)	<u>462,138</u>	<u>503,429</u>
	<u>1,902,573</u>	<u>2,047,212</u>
Net Assets		
Internally Restricted (Note 7)	1,787,350	1,787,350
Invested in Capital Assets	1,453,672	1,545,075
Unrestricted Net Assets	<u>2,295,584</u>	<u>2,194,818</u>
	<u>5,536,606</u>	<u>5,527,243</u>
	<u>\$ 7,439,179</u>	<u>\$ 7,574,455</u>

Approved by the Directors:



Director



Director

St. Leonard's Society of London

Statement of Changes in Net Assets
Year ended March 31, 2023

	Internally Restricted	Invested in Capital Assets	Unrestricted	Total	
				2023	2022
Balance, beginning of year	\$ 1,787,350	\$ 1,545,075	\$ 2,194,818	\$ 5,527,243	\$ 5,113,463
Net revenue	-	(91,403)	100,766	9,363	413,780
Balance, end of year	\$ 1,787,350	\$ 1,453,672	\$ 2,295,584	\$ 5,536,606	\$ 5,527,243

St. Leonard's Society of London

Statement of Operations
Year ended March 31, 2023

	2023	2022
Revenue (Schedule)	<u>\$ 11,741,678</u>	<u>\$ 10,934,710</u>
Expenses (Schedule)		
Administrative	519,513	505,828
Infrastructure	813,568	1,007,669
Support services	<u>10,258,344</u>	<u>9,048,668</u>
	<u>11,591,425</u>	<u>10,562,165</u>
Net revenue before the following	150,253	372,545
Unrealized gain (loss) on investments (Note 2)	(144,143)	14,408
Gain on sale of investments	<u>3,253</u>	<u>26,827</u>
Net revenue	<u>\$ 9,363</u>	<u>\$ 413,780</u>

St. Leonard's Society of London

Schedule of Revenue

Year ended March 31, 2023

	2023	2022
Revenue		
Ministry of Children Community and Social Services	\$ 3,243,583	\$ 2,959,835
City of London	2,472,927	2,235,264
Ministry of Health	2,052,746	1,859,064
Correctional Services Canada	1,910,667	1,930,796
Fee allocations (Note 3)	1,047,658	972,329
St. Joseph's Health Care	508,650	508,650
School Boards	291,517	177,907
Ministry of Attorney General	253,359	234,278
Client rentals	251,634	79,409
Employment and other grants	174,653	283,186
Ministry of the Solicitor General	168,339	166,001
Rental (Note 3)	153,077	153,532
Amortization of deferred contributions (Note 8)	104,097	91,536
HST rebate	103,054	109,999
Investment	99,845	98,576
Interest	83,657	15,088
Donations	18,350	5,790
Other support	4,600	1,005
Wage enhancement	-	140,293
Operation Springboard	-	19,200
One-time pandemic funding	-	18,833
Less: revenue charges to programs (Note 3)	(1,200,735)	(1,125,861)
	<u>\$ 11,741,678</u>	<u>\$ 10,934,710</u>

St. Leonard's Society of London

Schedule of Expenses

Year ended March 31, 2023

	2023	2022
Administrative		
Administration	\$ 1,047,658	\$ 972,329
Office and computer	180,325	157,532
Insurance - property and liability	129,760	112,834
Telephone	85,456	84,000
Professional fees	33,693	23,910
Investment management fees	29,582	29,347
External dues and memberships	22,928	21,363
Promotion	14,224	6,917
Pandemic	9,355	53,783
Rental of equipment	7,934	8,808
Consultations	3,676	4,888
Bank service charges	1,565	1,211
Board meetings	1,015	1,235
Less: internal charges to programs (Note 3)	(1,047,658)	(972,329)
	<u>\$ 519,513</u>	<u>\$ 505,828</u>
Infrastructure		
Amortization	\$ 195,500	\$ 189,267
Preventive maintenance	157,550	335,664
Rent allocation	153,077	153,532
HST expense	148,809	161,438
Rent - external	107,100	107,100
Utilities	76,349	70,854
Contracted services	54,043	58,466
Household and sanitary supply	38,226	29,697
Equipment and office furniture	35,991	55,183
Less: internal charges to programs (Note 3)	(153,077)	(153,532)
	<u>\$ 813,568</u>	<u>\$ 1,007,669</u>
Support Services		
Salaries and employee benefits	\$ 8,104,422	\$ 7,185,303
Client care and program supplies	1,438,328	1,208,422
Travel	233,897	208,118
Staff training	146,945	143,034
Food	135,790	121,111
Consulting and support	128,733	121,318
Human Services and Justice Coordinating Committee	45,991	37,804
Client incidentals	20,829	22,925
Staff recruitment	1,998	611
Miscellaneous	1,411	22
	<u>\$ 10,258,344</u>	<u>\$ 9,048,668</u>

St. Leonard's Society of London

Statement of Cash Flows
Year ended March 31, 2023

	2023	2022
Cash provided by (used in):		
Operating activities		
Net revenue	\$ 9,363	\$ 413,780
Add (deduct) non-cash items:		
Amortization of capital assets	195,500	189,267
(Gain)/loss on sale of investments	(3,253)	(26,827)
Amortization of deferred contributions related to capital assets	(104,097)	(91,536)
Unrealized (gain) loss on investments	144,143	(14,408)
Change in non-cash working capital		
Accounts receivable	211,723	(179,610)
Prepaid expenses	(31,439)	(19,773)
Government remittances recoverable	2,783	9,949
Accounts payable and accrued liabilities	(132,394)	382,995
Deferred contributions	29,046	(41,239)
	<u>321,375</u>	<u>622,598</u>
Investing activities		
Acquisition of capital assets	(62,806)	(49,640)
Purchase of marketable securities	(926,914)	(1,043,552)
Proceeds from sale of marketable securities	484,105	266,507
	<u>(505,615)</u>	<u>(826,685)</u>
Financing activities		
Deferred contributions related to capital assets	<u>62,806</u>	<u>49,640</u>
Increase (decrease) in cash	(121,434)	(154,447)
Cash, beginning of year	<u>1,649,234</u>	<u>1,803,681</u>
Cash, end of year	\$ 1,527,800	\$ 1,649,234

St. Leonard's Society of London

Notes to Financial Statements

March 31, 2023

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. Restorative Approaches
12. The Supported Independent Living Program
13. Reintegration Program
14. Fetal Alcohol Spectrum Disorder (FASD) Reintegration Program
15. C.K. Clarke Road Centre
16. Project Homes Program (formerly Housing First)
17. Human Services and Justice Coordinating Committee Project
18. Forensic Supportive Housing Program
19. MH Diversion Worker
20. Youth Justice Committees
21. Extended Exceptional Care
22. Justice Centre
23. Mental Health Justice 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, 2023

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, 2023

2. Marketable Securities

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

	2023	2022
Investments held (book value \$3,491,713) (2022 - \$3,051,386)	\$ 3,551,711	\$ 3,249,792

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, 2023 was \$59,998 (2022 - \$198,406).

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 Revenue and 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	
			2023	2022
Land	\$ 853,000	\$ -	\$ 853,000	\$ 853,000
Buildings	3,298,589	2,374,764	923,825	1,051,551
Furniture and equipment	405,917	403,486	2,431	5,145
Automobile	480,622	360,063	120,559	121,480
Software	78,776	78,776	-	-
Leasehold improvements	20,000	3,999	16,001	17,334
	\$ 5,136,904	\$ 3,221,088	\$ 1,915,816	\$ 2,048,510

5. Amounts Payable to Government Funders

	2023	2022
MOH & Ontario Health	\$ 563,780	\$ 651,079
MCCSS	357,811	375,591
Ministry of the Attorney General	7,874	21,503
City of London	6,005	149,576
	\$ 935,470	\$ 1,197,749

St. Leonard's Society of London

Notes to Financial Statements

March 31, 2023

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:

	2023	2022
Beginning balance	\$ 42,427	\$ 83,666
Add: amounts received in the year	2,547,937	1,917,194
Less: amounts recognized as revenue in the year	(2,518,890)	(1,958,433)
Ending balance	<u>\$ 71,474</u>	<u>\$ 42,427</u>

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

	2023	2022
Donations - Youth Katu	\$ 28,725	\$ 27,383
CMHA Planning Table	26,314	-
Donation - Adrenaline	7,272	7,272
Peer Power LDCSB	3,333	3,333
Deferred rents	3,308	-
Other miscellaneous	2,000	3,917
Donation - miscellaneous	382	382
Donation - Youth Richard	140	140
	<u>\$ 71,474</u>	<u>\$ 42,427</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 \$NIL (2022 - \$47,000) from the Internally Restricted fund to the Unrestricted Fund.

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:

	2023	2022
Beginning balance	\$ 503,429	\$ 545,325
Add contributions received	62,806	49,640
Less amounts amortized to revenue	(104,097)	(91,536)
Ending balance	<u>\$ 462,138</u>	<u>\$ 503,429</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, 2023

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.