

Community Living Essex County

Financial Statements

For the year ended March 31, 2018

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BDO Canada LLP
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Independent Auditor's Report

To the Board of Directors of Community Living Essex County

We have audited the accompanying financial statements of Community Living Essex County, which comprise the Statement of Financial Position as at March 31, 2018, and the Statement of Operations and Changes in General and Capital Fund Balances and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenues from donations and fund raising activities, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were unable to determine whether any adjustments might be necessary to donations and fund raising revenues, excess (deficiency) of revenue over expenditures, and cash flows from operations for the years ended March 31, 2018 and 2017, assets as at March 31, 2018 and 2017, and fund balances as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2018, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Essex, Ontario
June 06, 2018

Community Living Essex County


Statement of Financial Position

March 31,	2018			2017
Assets	General Fund	Capital Fund	Total	Total
Current				
Cash and bank (Note 2 and 12)	\$2,875,181	\$ 3,495,117	\$ 6,370,298	\$ 6,006,627
Grants receivable	4,218	-	4,218	4,218
Accounts receivable	700,279	-	700,279	792,016
Prepaid expenses	160,435	-	160,435	114,755
Interfund receivable	-	40,690	40,690	110,421
	3,740,113	3,535,807	7,275,920	7,028,037
Capital assets (Note 3)	-	15,751,287	15,751,287	16,258,959
	\$3,740,113	\$19,287,094	\$23,027,207	\$ 23,286,996

Liabilities and Fund Balances

Current				
Accounts payable and accruals (Note 6)	\$3,000,945	\$ -	\$ 3,000,945	\$ 2,671,495
Deferred contributions (Note 7)	708,510	-	708,510	824,613
Current portion of long-term debt (Note 5)	-	379,901	379,901	168,473
Interfund payable	40,690	-	40,690	110,421
	3,750,145	379,901	4,130,046	3,775,002
Long-term debt (Note 5 and 12)	-	2,203,913	2,203,913	2,594,707
	3,750,145	2,583,814	6,333,959	6,369,709
Commitments (Note 9)				
Fund balances				
Invested in capital assets	-	13,159,965	13,159,965	13,492,682
Externally restricted (Note 8)	-	75,415	75,415	71,181
Internally restricted (Note 8)	-	3,467,900	3,467,900	3,366,254
Unrestricted	(10,032)	-	(10,032)	(12,830)
	(10,032)	16,703,280	16,693,248	16,917,287
	\$3,740,113	\$19,287,094	\$23,027,207	\$ 23,286,996

Approved on behalf of Board of Directors:



President



Treasurer

Community Living Essex County

Statement of Operations and Changes in General Fund Balances

March 31,	2018	2017
Revenue		
Provincial subsidies (Note 10)	\$ 29,045,454	\$ 27,458,539
Fees for services	5,059,139	4,406,941
Other grants	309,832	196,135
Donations and fund raising	292,509	294,078
Tax rebates and sundry	115,441	56,706
Federal subsidies	68,585	78,794
Investment income	40,510	21,410
	<u>34,931,470</u>	<u>32,512,603</u>
Expenditures		
Salaries	23,321,059	22,280,360
Staff benefits	3,501,733	3,343,470
Purchased services	2,776,110	2,206,287
Repairs and maintenance	1,507,194	1,204,862
Pension expense (Note 11)	951,702	889,211
Supplies	733,061	452,313
Food	705,056	731,659
Vehicle operation	440,967	351,462
Utilities and taxes	345,575	374,399
Staff travel and training	259,898	300,104
Insurance	139,363	139,484
Rent premises and other	129,185	127,369
Advertising and fundraising expenses	88,011	97,405
Personal needs	18,302	7,323
Bank charges and other	11,456	10,356
	<u>34,928,672</u>	<u>32,516,064</u>
Excess (deficiency) of revenue over expenditures	2,798	(3,461)
Fund balance, beginning of year	<u>(12,830)</u>	<u>(9,369)</u>
Fund balance, end of year	<u>\$ (10,032)</u>	<u>\$ (12,830)</u>

Community Living Essex County

Statement of Operations and Changes in Capital Fund Balances

March 31,	2018	2017
Revenue		
Provincial subsidies (Note 10)	\$ 598,584	\$ 665,122
Investment income	88,904	75,490
	<u>687,488</u>	<u>740,612</u>
Expenditures		
Amortization	824,105	865,004
Interest on long-term debt	64,822	98,974
Loss on disposal of assets	25,398	8,725
	<u>914,325</u>	<u>972,703</u>
Deficiency of revenue over expenditures	(226,837)	(232,091)
Fund balance, beginning of year	<u>16,930,117</u>	<u>17,162,208</u>
Fund balance, end of year	<u>\$ 16,703,280</u>	<u>\$ 16,930,117</u>

Community Living Essex County

Statement of Cash Flows

For the year ended March 31,	2018		2017	
	General Fund	Capital Fund	General Fund	Capital Fund
Cash flows from operating activities				
Excess (deficiency) of revenue over expenditures	\$ 2,798	\$ (226,837)	\$ (3,461)	\$ (232,091)
Add non-cash items:				
Amortization	-	824,105	-	865,004
Loss on disposal of capital assets	-	25,398	-	8,725
	<u>2,798</u>	<u>622,666</u>	<u>(3,461)</u>	<u>641,638</u>
Changes in non-cash working capital balances				
Grants receivable	-	-	-	293,100
Accounts receivable	91,737	-	(273,684)	-
Prepaid expenses	(45,680)	-	(19,734)	-
Interfund receivable	-	69,731	-	11,084
Accounts payable and accruals	329,450	-	(3,370)	-
Deferred contributions	(116,103)	-	(13,172)	-
Interfund payable	(69,731)	-	(11,084)	-
	<u>189,673</u>	<u>69,731</u>	<u>(321,044)</u>	<u>304,184</u>
	<u>192,471</u>	<u>692,397</u>	<u>(324,505)</u>	<u>945,822</u>
Cash flows from financing and investing activities				
Mortgage principal repayments	-	(171,494)	-	(139,266)
Purchase of capital assets	-	(363,054)	-	(352,437)
Proceeds on disposals	-	21,223	-	16,826
Long-term debt repayments	-	(7,872)	-	(7,217)
	<u>-</u>	<u>(521,197)</u>	<u>-</u>	<u>(482,094)</u>
Net increase (decrease) in cash and bank during the year	192,471	171,200	(324,505)	463,728
Cash and bank, beginning of year	<u>2,682,710</u>	<u>3,323,917</u>	<u>3,007,215</u>	<u>2,860,189</u>
Cash and bank, end of year	<u>\$ 2,875,181</u>	<u>\$ 3,495,117</u>	<u>\$ 2,682,710</u>	<u>\$ 3,323,917</u>

Community Living Essex County

Notes to Financial Statements

March 31, 2018

1. Significant accounting policies

Nature of business Community Living Essex County is a social service organization providing support to individuals with an intellectual disability and their families who reside in Essex County. It is incorporated under the Corporations Act of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act.

Basis of accounting These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Capital assets Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided over the assets' estimated useful lives on a straight line basis as follows:

Buildings	40 years
Vehicles	7 years
Equipment	10 years
Computer hardware	4 years
Computer software	3 years
Leaseholds	5 years

Amortization expense is reported in the Capital Fund.

Fund accounting The Organization follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets. The Capital Fund is comprised of the net amount invested in capital assets, amounts internally restricted by the Board of Directors for property maintenance and capital asset purchases, and an amount externally restricted by the Ministry of Community and Social Services for capital items at two specific locations.

Community Living Essex County

Notes to Financial Statements

March 31, 2018

1. Significant accounting policies (continued)

Revenue recognition Restricted contributions related to general operations, including provincial subsidies, fees for services and capital grants, are recognized as revenue of the General or Capital Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on capital fund resources is recognized as revenue of the Capital Fund. Other investment income is recognized as revenue of the General Fund when earned.

Pension plan The Organization maintains a defined contribution pension plan for qualified personnel that are non-unionized employees. Expense for this plan is equal to the company's required contribution for the year.

The Organization is a participating employer in a multi-employer pension plan for qualified personnel that are unionized employees. Expense for this plan is equal to the company's required contribution for the year.

Financial instruments Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, all investments have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Community Living Essex County

Notes to Financial Statements

March 31, 2018

1. Significant accounting policies (continued)

Administrative expenses	Administrative expenses are segregated and allocated to the various programs primarily on the basis of negotiated budgets.
Contributed services	Several hundred volunteers contribute to assist Community Living Essex County in carrying out its service activities. The value of this contribution is not reflected on the financial statements.
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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash and bank

Included in cash and bank are the following:

	<u>2018</u>	<u>2017</u>
Cash - General fund	\$ 2,269,039	\$ 2,057,389
Cash - Externally restricted fund	37,022	18,932
Cash - Trustee	569,120	606,389
	<u>\$ 2,875,181</u>	<u>\$ 2,682,710</u>
Cash - Capital fund	<u>\$ 3,495,114</u>	<u>\$ 3,323,912</u>

Cash included in the externally restricted fund are lottery and bingo accounts. The use of these funds is externally restricted by regulatory bodies. Cash in the Trustee account are monies held in trust for people supported by the organization. At year end, the general fund account owes the trustee account \$1,146 (2017 - the trustee account owed the general fund account \$6,764). This was repaid subsequent to the year end. The Capital fund is used to purchase assets for the Organization.

Community Living Essex County

Notes to Financial Statements

March 31, 2018

3. Capital assets

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Building	\$ 16,018,556	\$ 4,671,229	\$ 11,347,327	\$ 11,729,609
Land	2,785,229	-	2,785,229	2,785,229
Vehicles	2,357,156	1,424,090	933,066	990,652
Equipment	1,980,944	1,405,416	575,528	609,701
Computer hardware	855,100	752,891	102,209	128,209
Computer software	273,237	265,309	7,928	15,559
Leaseholds	32,483	32,483	-	-
	<u>\$ 24,302,705</u>	<u>\$ 8,551,418</u>	<u>\$ 15,751,287</u>	<u>\$ 16,258,959</u>

Included in the above are the final capital costs for the following projects originally funded by the Ministry of Municipal Affairs and Housing:

	2018	2017
Property, 48 Heritage, Kingsville	\$ 519,653	\$ 519,653
Property, 647/649 Centre St., Belle River	516,195	516,195
	<u>\$ 1,035,848</u>	<u>\$ 1,035,848</u>

4. Security for bank line of credit

Libro Credit Union has a general security agreement and an assignment of business insurance to cover any overdraft in the operating accounts up to a maximum of \$250,000 (2017 - \$250,000). The full amount of the overdraft coverage was available at the year end date. The line of credit bears interest at prime plus 1.00%.

Community Living Essex County

Notes to Financial Statements

March 31, 2018

5. Long-term debt

	<u>2018</u>	<u>2017</u>
Mortgage payable - Libro Credit Union (Libro) 2.89% first mortgage, repayable in monthly instalments of \$3,100, including principal and interest due October 2, 2020. The mortgage is secured by the land and buildings at 1312 Deer Run Trail, Belle River. The carrying value is \$571,003.	\$ 362,291	\$ 401,407
Mortgage payable - Libro 3.69% first mortgage, repayable in monthly instalments of \$2,331 including principal and interest due October 31, 2018. The mortgage is secured by land and building at County Road 18, Essex. The carrying value is \$614,673.	343,554	358,650
Mortgage payable - Libro 3.48% first mortgage, repayable in monthly instalments of \$2,311, including principal and interest due June 27, 2018. The mortgage was secured by land and building at 5400 Lakeshore Road 305, Lakeshore. The carrying value is \$849,517.	328,316	344,400
Mortgage payable - Libro 2.99% first mortgage, repayable in monthly instalments of \$1,660 including principal and interest due June 9, 2019. The mortgage is secured by land and building at 280 Golfview, Amherstburg. The carrying value is \$425,513.	256,434	267,579
Mortgage payable - Industrial Alliance 2.882% first mortgage, repayable in monthly instalments of \$2,046 including principal and interest due September 1, 2018. The mortgage is secured by land and building at 647/649 Centre Street, Belle River. The carrying value is \$416,940.	222,825	240,727
Mortgage payable - Scotiabank 2.164% first mortgage, repayable in monthly instalments of \$1,974 including principal and interest due November 1, 2019. The mortgage is secured by the land and buildings at 48 Heritage Rd., Kingsville. The carrying value is \$446,747.	152,461	172,745

Community Living Essex County

Notes to Financial Statements

March 31, 2018

5. Long-term debt (continued)	<u>2018</u>	<u>2017</u>
<p>Mortgage payable - Libro 2.89% first mortgage, repayable in monthly instalments of \$990 including principal and interest due March 31, 2022. The mortgage is secured by land and building at 795 North Talbot Rd., Kingsville. The carrying value is \$368,319.</p>	\$ 173,642	\$ 179,954
<p>Mortgage payable - Libro 2.89% first mortgage, repayable in monthly instalments of \$922 including principal and interest due March 31, 2022. The mortgage is secured by the land and buildings at 372 Talbot St., Essex. The carrying value is \$842,136.</p>	141,696	148,585
<p>Mortgage payable -Libro 3.00% first mortgage, repayable in monthly instalments of \$897 including principal and interest due December 12, 2019. The mortgage is secured by land and building at Wride Avenue, Kingsville. The carrying value is \$572,324.</p>	141,774	147,700
<p>Mortgage payable - Libro 3.99% first mortgage, repayable in monthly instalments of \$699 including principal and interest due February 17, 2021. The mortgage is secured by land and building at 1693 Maplewood, Belle River. The carrying value is \$197,474.</p>	95,037	100,165
<p>Mortgage payable - Libro 2.89% first mortgage, repayable in monthly instalments of \$608 including principal and interest due March 30, 2021. The mortgage is secured by land and building at 39 McBride, Amherstburg. The carrying value is \$325,515.</p>	78,850	83,844
<p>Mortgage payable - Libro 2.84% first mortgage, repayable in monthly instalments of \$694 including principal and interest due June 23, 2021. The mortgage is secured by land and building at 85 Gosfield Townline Rd E., Essex. The carrying value is \$241,460.</p>	61,156	67,184

Community Living Essex County

Notes to Financial Statements

March 31, 2018

5. Long-term debt (continued)

	<u>2018</u>	<u>2017</u>
Mortgage payable - Libro 3.39% first mortgage, repayable in monthly instalments of \$567 including principal and interest due August 10, 2018. The mortgage is secured by land and building at 1950 Suzanne St., Lasalle. The carrying value is \$132,700.	\$ 64,435	\$ 68,630
Mortgage payable - Libro 3.69% first mortgage, repayable in monthly instalments of \$491 including principal and interest due December 4, 2018. The mortgage is secured by land and building at 286 St. Jude St., Belle River. The carrying value is \$202,400.	56,212	59,679
Mortgage payable - Libro 2.89% (2017 - 3.48%) first mortgage, repayable in monthly instalments of \$383 (2017 - \$397) including principal and interest due May 30, 2024. The mortgage is secured by land and building at 920 Mersea Road, Leamington. The carrying value is \$82,900.	53,246	56,236
Mortgage payable - Libro 2.89% (2017 - 3.49%) first mortgage, repayable in monthly instalments of \$650 (2017 - \$662) including principal and interest due April 1, 2024. The mortgage is secured by land and building at 335 Forest Hill, Amherstburg. The carrying value is \$237,696.	43,390	49,328
Car loan - Ford Credit Canada Limited 0.0% financing agreement, repayable in monthly instalments of \$656 including principal and interest due March 20, 2019.	8,495	16,367
	<u>2,583,814</u>	<u>2,763,180</u>
Less: current portion of long-term debt	<u>379,901</u>	<u>168,473</u>
	<u>\$ 2,203,913</u>	<u>\$ 2,594,707</u>

Community Living Essex County

Notes to Financial Statements

March 31, 2018

5. Long-term debt (continued)

The principal payments due within the next five years and thereafter are as follows assuming refinancing under similar terms for all mortgages held by Libro Credit Union:

2019	\$ 379,901
2020	263,669
2021	136,094
2022	140,403
2023	144,848
Thereafter	<u>1,518,899</u>
	<u>\$ 2,583,814</u>

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are net government remittances payable of \$237,143 (2017 - \$261,639).

7. Deferred contributions

	<u>2018</u>	<u>2017</u>
Individual's accounts - in trust	\$ 570,266	\$ 599,625
Other revenues and donations received in advance	<u>138,244</u>	<u>224,988</u>
	<u>\$ 708,510</u>	<u>\$ 824,613</u>

Deferred contributions represent restricted operating funding received in the current period that relates to the subsequent period.

Community Living Essex County

Notes to Financial Statements

March 31, 2018

8. Restrictions on fund balances

	<u>2018</u>	<u>2017</u>
Restricted by Ministry of Community and Social Services for replacement of capital items at 48 Heritage Road, Kingsville and 647/649 Centre St., Belle River	\$ 75,415	\$ 71,181
Internally restricted for property maintenance	1,253,439	1,211,858
Internally restricted for capital asset purchases	2,175,157	2,120,571
Internally restricted for renewable energy initiative	39,304	33,825
	<u>3,467,900</u>	<u>3,366,254</u>
	<u>\$ 3,543,315</u>	<u>\$ 3,437,435</u>

9. Commitments

Three property leases exist with expiration dates starting in 2020. Leases convert to a month-to-month basis at the end of the lease term. Two office equipment leases exist with expiration dates starting in 2021. Future minimum lease payments are as follows:

	Property	Office equipment
2019	\$ 63,443	\$ 27,135
2020	59,873	27,135
2021	40,924	6,393
2022	7,718	4,507
2023	-	2,254
	<u>\$ 171,958</u>	<u>\$ 67,424</u>

Property and office equipment expenses are included in rent premises and other expenditures.

10. Economic dependence

As is customary in the industry, approximately 83% (2017 - 85%) of revenue reported in the year relates to contracts ultimately with the Ministry of Community and Social Services.

Community Living Essex County

Notes to Financial Statements

March 31, 2018

11. Pension expense

The Organization contributes to two pension plans on behalf of its employees.

The Organization contributes to a defined contribution pension plan for the non-unionized employees. The total contributions to this plan during the year totaled \$157,434 (2017 - \$150,703).

Effective January 1, 2006, the Organization became a participating employer in a multi-employer pension plan for qualified personnel that are unionized employees. The Organization entered into an agreement with the Canadian Union of Public Employees and its Local 3137 whereby the Organization is required to contribute to the multi-employer pension plan an amount equal to 4.5% (3.5% prior to September 27, 2009) of applicable wages for eligible unionized employees. Under the agreement, the pension plan trustees and the union agree and acknowledge that the Organization has no obligation to provide, pay for, or contribute to the cost of the benefits established by the pension plan beyond the obligation to make contributions pursuant to the Collective Agreement and that the Organization assumes no liability whatsoever with respect to the pension plan save and except to make contributions in accordance with the Collective Agreement. The total contributions to this plan during the year totaled \$794,268 (2017 - \$738,508).

12. Fair value of financial instruments and credit risk

Liquidity risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset.

This risk is reduced due to considerable amount of cash available for use. Trade accounts payable and accrued liabilities are generally repaid within 30 days.

The Organization manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

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. Fixed rate instruments subject the Organization to a fair value risk while variable rate instruments subject it to a cash flow risk. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of its long-term debt.
