



Financial Statements

CLH Developmental Support Services

March 31, 2022

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Independent Auditor's Report

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To the Directors of
CLH Developmental Support Services

Opinion

We have audited the financial statements of CLH Developmental Support Services (the "Organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 opinion

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 Organization 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Independent Auditor's Report (continued)

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 audit 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 Organization'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 Organization'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 Organization 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 achieves 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, handwritten font.

Midland, Canada
June 22, 2022

Chartered Professional Accountants
Licensed Public Accountants

CLH Developmental Support Services

Statement of Operations

Year ended March 31

	2022	2021
Revenue		
Operating grants - Province of Ontario	\$ 15,463,612	\$ 15,182,179
Operating grants - County of Simcoe	5,271,355	4,732,017
Rental income	1,182,913	1,143,727
Contribution from Catulpa	284,717	80,000
Amortization of deferred capital contribution	44,492	43,004
Income subsidy	-	25,000
	<u>22,247,089</u>	<u>21,205,927</u>
Expenditures		
Salaries	14,038,857	13,981,508
Benefits	3,002,074	2,903,339
Purchased services	1,564,685	899,093
COVID-19 related expenses	1,161,944	1,284,851
Repairs, maintenance and replacements	548,758	476,184
Materials and supplies	520,597	610,234
Amortization	490,600	543,094
Utilities, property taxes and insurance	468,142	443,643
Lease expense	316,036	321,357
Transportation and vehicle	282,216	177,578
Food	249,239	267,408
Training	125,630	114,475
Personal needs (net of recovery)	98,744	121,279
Travel	58,751	33,892
Sundry	43,403	49,806
Mortgage interest	14,335	20,157
	<u>22,984,011</u>	<u>22,247,898</u>
Deficiency of revenues over expenditures from operations	<u>(736,922)</u>	<u>(1,041,971)</u>
Other items		
Expense recoveries	747,561	736,832
Gain on disposal of property, plant and equipment	57,912	11,385
Gain on investments	6,884	39,954
Other income	4,271	3,789
	<u>816,628</u>	<u>791,960</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 79,706</u>	<u>\$ (250,011)</u>

CLH Developmental Support Services **Statement of Changes in Net Assets**

Year ended March 31

	Unrestricted Net Assets	Invested in Capital Assets	Total 2022	Total 2021
Balance, beginning of year	\$ (406,822)	\$ 4,817,233	\$ 4,410,411	\$ 4,660,422
Excess (deficiency) of revenue over expenditures	79,706	-	79,706	(250,011)
Net change in net assets invested in capital assets	<u>(25,515)</u>	<u>25,515</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (352,631)</u>	<u>\$ 4,842,748</u>	<u>\$ 4,490,117</u>	<u>\$ 4,410,411</u>

CLH Developmental Support Services

Statement of Financial Position

March 31

2022

2021

Assets

Current

Cash	\$ 921,390	\$ 59,844
Cash - restricted	139,788	132,586
Short term investments	301,538	294,654
Accounts receivable	226,592	400,359
Prepaid expenses	197,505	338,046
Due from CLH Foundation	<u>30,000</u>	<u>40,000</u>
	1,816,813	1,265,489
Property, plant and equipment (Note 5)	<u>6,652,588</u>	<u>6,803,740</u>
	<u>\$ 8,469,401</u>	<u>\$ 8,069,229</u>

Liabilities

Current

Bank indebtedness	\$ -	\$ 40,000
Accounts payable and accrued liabilities	695,422	637,436
Wages and payroll taxes payable (Note 6)	494,315	589,046
Deferred revenue and subsidies	979,705	405,829
Current portion of long-term debt (Note 8)	<u>127,159</u>	<u>128,863</u>
	2,296,601	1,801,174
Long-term debt (Note 8)	389,520	519,989
Deferred capital contributions (Note 9)	<u>1,293,163</u>	<u>1,337,655</u>
	<u>3,979,284</u>	<u>3,658,818</u>

Net assets

Unrestricted net assets	(352,631)	(406,822)
Invested in capital assets	<u>4,842,748</u>	<u>4,817,233</u>
	<u>4,490,117</u>	<u>4,410,411</u>
	<u>\$ 8,469,401</u>	<u>\$ 8,069,229</u>

Commitments (Note 13)

On behalf of the board

Director

Director

CLH Developmental Support Services

Statement of Cash Flows

Year ended March 31

2022

2021

Increase (decrease) in cash

Operating

Excess (deficiency) of revenue over expenditures	\$ 79,706	\$ (250,011)
Items not affecting cash		
Amortization of property, plant and equipment	490,600	543,094
Gain on disposal of property, plant and equipment	(57,912)	(11,385)
Gain on investments	(6,884)	(39,954)
Amortization of deferred capital contributions	<u>(44,492)</u>	<u>(43,004)</u>
	461,018	198,740
Change in non-cash working capital items		
Accounts receivable	173,767	(36,423)
Prepaid expenses	140,541	(251,420)
Accounts payable and accrued liabilities	57,988	179,703
Wages and payroll taxes payable	(94,731)	(360,828)
Deferred revenue and subsidies	<u>573,876</u>	<u>127,794</u>
	1,312,459	(142,434)

Financing

Bank indebtedness	(40,000)	40,000
Repayment of long-term debt	(132,173)	(125,910)
Repayments from CLH Foundation	<u>10,000</u>	<u>40,618</u>
	(162,173)	(45,292)

Investing

Purchase of property, plant and equipment	(346,438)	(131,918)
Proceeds on disposal of property, plant and equipment	<u>64,900</u>	<u>37,658</u>
	(281,538)	(94,260)

Increase (decrease) in cash

868,748

(281,986)

Cash

Beginning of year	<u>192,430</u>	<u>474,416</u>
End of year	<u>\$ 1,061,178</u>	<u>\$ 192,430</u>

Cash consists of:

Cash	\$ 921,390	\$ 59,844
Cash - restricted	<u>139,788</u>	<u>132,586</u>
	<u>\$ 1,061,178</u>	<u>\$ 192,430</u>

CLH Developmental Support Services

Notes to the Financial Statements

March 31, 2022

1. Organization

CLH Developmental Support Services ("CLH") (the "Organization") (formerly Community Living Huronia) is incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Canadian Income Tax Act. The Organization is exempt from income tax pursuant to the Canadian Income Tax Act.

The CLH mission is to facilitate the community's acceptance, inclusion and support of individuals with developmental disabilities as valued citizens. CLH strives to ensure the availability of supports and services which address the needs of the individuals and their families.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

Revenue recognition

CLH follows the deferral method of accounting for contributions which include grants and donations. Under this method, 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. Restricted contributions related to future periods are deferred and recognized as revenue in the year in which the related expenses are incurred.

The amortization of deferred capital contributions is recorded as revenue on the statement of operations on the same basis as the amortization of the underlying capital assets.

Rental income is recognized as revenue on the first day of each month.

Expense recoveries are recognized as revenue once the related expenditures have been incurred and the recoveries are earned.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization and impairment. They are amortized on a straight-line basis over their estimated useful lives at the following rates:

Buildings	2.5%
Equipment	10%
Equipment - video conferencing	20%
Vehicles	15%
Leasehold Improvements	20%
Paving	4%

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing their net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported on the statement of operations.

CLH Developmental Support Services

Notes to the Financial Statements

March 31, 2022

2. Summary of significant accounting policies (continued)

Contributed materials and services

Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

Deferred capital contributions

Deferred capital contributions represent restricted contributions relating to the purchase of property, plant and equipment.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include the useful life of property, plant and equipment.

Financial instruments

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. All financial instruments are subsequently measured at amortized cost less impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. The initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

A financial asset (or group of similar financial assets) measured at cost or amortized cost is tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statement of operations. The amounts of any write-downs or reversals are recognized in net income.

Financial instruments include cash, investments, receivables, due from CLH Foundation, bank indebtedness, accounts payable, wages and payroll taxes payable and current and long term debt.

Cash and cash equivalents

Cash and cash equivalents include: cash on hand, balances on deposit at banks and credit unions, and term deposits with maturities of 90 days or less, or can be redeemed without penalty.

3. Cash - restricted

These restricted funds can only be used for capital improvements to houses funded under the Ministry of Community and Social Services (MCSS) - Dedicated Supportive Housing contract.

CLH Developmental Support Services

Notes to the Financial Statements

March 31, 2022

3. Cash - restricted (continued)

	2022	2021
Balance, beginning of year	\$ 132,586	\$ 125,337
Annual contribution by Province of Ontario	6,663	6,663
Interest earned	539	586
	\$ 139,788	\$ 132,586

4. Short term investments

Short term investments held by CLH consist entirely of a mutual fund measured at market value.

5. Property, plant and equipment

	Cost	Accumulated Amortization	Net Book Value	2021
Land	\$ 798,028	\$ -	\$ 798,028	\$ 798,028
Buildings	9,070,252	3,965,676	5,104,576	5,108,564
Equipment	4,962,646	4,454,976	507,670	509,636
Vehicles	652,478	429,122	223,356	318,055
Paving	43,996	41,291	2,705	4,318
Leasehold improvements	507,229	490,976	16,253	65,139
	\$ 16,034,629	\$ 9,382,041	\$ 6,652,588	\$ 6,803,740

Included in land and buildings above are two residential properties, 239 Jeanne Street, Midland and 816 Ottawa Street, Midland, with a net book value of \$345,403 (2021 - \$356,847) that were assumed by CLH in prior years from another organization. Although CLH has title to these properties, the other organization retains the right to reacquire them should CLH decide, with Ministry approval, to sell them. This first right of refusal can be exercised at amounts ranging from \$1 - \$10. However, due to the large amount of capital and maintenance costs incurred by CLH and the Ministry over the years, it is unclear whether the option would ever be exercised.

6. Wages and payroll taxes payable

Included in wages and payroll taxes payable is \$186,147 (2021 - \$167,410) owing with respect to government remittances.

CLH Developmental Support Services

Notes to the Financial Statements

March 31, 2022

7. Bank indebtedness

CLH maintains an unsecured operating line of credit of \$500,000 and is charged interest at the bank's prime rate of lending plus .75%. The operating line of credit balance outstanding on March 31, 2022 is \$nil (2021 - \$40,000).

CLH signed an agreement with the Toronto-Dominion bank on December 8, 2009 for a committed revolving facility. This agreement can be utilized in the form of fixed rate term loans and/or floating rate term loans for the purpose of buying out leases on existing vehicles and for further vehicle purchases. The limit of this committed revolving facility is \$150,000. This credit facility was unused at March 31, 2022.

8. Long-term debt

	2022	2021
MCAP loan bearing interest at 2.54% per annum, repayable in monthly blended payments of \$1,825. The loan matures on December 1, 2022 and is secured by residential properties with a net book value of \$439,351.	\$ 16,256	\$ 37,458
RBC Royal Bank loan bearing interest at 2.99% per annum, repayable in monthly blended payments of \$843. The loan matures on August 1, 2023 and is secured by a residential property with a net book value of \$191,226.	14,015	23,559
MCAP loan bearing interest at 4.05% per annum, repayable in monthly blended payments of \$1,304. The loan was discharged on June 1, 2021.	-	67,720
MCAP loan bearing interest at 1.718% per annum, repayable in monthly blended payments of \$3,369. The loan was discharged on May 3, 2021.	-	208,990
TD Canada Trust - Aberdeen loan bearing interest at 3.75% per annum, repayable in monthly blended payments of \$4,881. The loan matures on February 27, 2027 and is secured by commercial property including all chattels and equipment with a carrying value of \$1,498,809, and a general security agreement.	263,290	311,125
Peoples Trust loan bearing interest at 4.05% per annum calculated semi-annually, repayable in monthly blended payments of \$1,304. The loan matures on December 1, 2025 and is secured by residential properties with a net book value of \$209,649	54,374	-

CLH Developmental Support Services

Notes to the Financial Statements

March 31, 2022

8. Long-term debt (continued)

	2022	2021
Scotia Mortgage Corporation loan bearing interest at 1.718% per annum, repayable in monthly blended payments of \$3,369. The loan matures on May 1, 2026 and is secured by residential properties with a net book value of \$679,753	<u>168,744</u>	-
Less current portion	<u>516,679</u>	648,852
	<u>127,159</u>	128,863
Due beyond one year	<u>\$ 389,520</u>	<u>\$ 519,989</u>
Estimated principal repayments are as follows:		
2023	\$ 127,159	
2024	108,348	
2025	107,396	
2026	106,848	
2027	63,579	
Subsequent years	<u>3,349</u>	
	<u>\$ 516,679</u>	

Mortgages were arranged by the Ministry of Municipal Affairs and Housing and are secured by residential properties purchased with Ministry of Housing funding. Payments are funded by MCSS - Dedicated Supportive Housing.

9. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of government funding or donations received for the purchase of capital assets. The changes in the deferred capital contributions balance are as follows:

	2022	2021
Balance, beginning of the year	<u>\$ 1,337,655</u>	\$ 1,380,659
Less: amortization of deferred capital contributions	<u>(44,492)</u>	<u>(43,004)</u>
	<u>\$ 1,293,163</u>	<u>\$ 1,337,655</u>

CLH Developmental Support Services

Notes to the Financial Statements

March 31, 2022

10. Net assets invested in capital assets

The net change in net assets invested in capital assets is calculated as follows:

	2022	2021
Acquisition of capital assets	\$ 346,438	\$ 131,918
Amortization of capital assets	(490,600)	(543,094)
Amortization of deferred capital contributions	44,492	43,004
Gain on disposal of vehicles	57,912	11,385
Proceeds from disposal of capital assets	(64,900)	(37,658)
Repayment of long term debt	<u>132,173</u>	<u>125,910</u>
	 <u>\$ 25,515</u>	 <u>\$ (268,535)</u>

11. Economic dependence

The operations of CLH are funded primarily through grants provided directly by MCSS. During the current year, these grants were 69% of total revenues (2021 - 71%).

12. Economic interest

CLH has an economic interest in another not-for-profit organization, CLH Foundation ("the Foundation"). An economic interest exists when the Foundation holds resources for the benefit of CLH. The purpose of the Foundation is to receive and maintain a fund or funds and to apply all or part of the principal and income, from time to time, to CLH. The Foundation is incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Canadian Income Tax Act.

The Foundation contributed \$280,072 (2021 - \$45,791) to CLH during the year, this amount has been recognized on the statement of operations.

CLH has agreed to lease the land and building at 283 King Street, Midland from the Foundation for \$3,000 per month. The lease agreement expires April 2028. Rent payments to the Foundation during the year were \$36,000 (2021 - \$36,000).

CLH Developmental Support Services

Notes to the Financial Statements

March 31, 2022

13. Commitments

CLH leases office space at a number of different locations with expiry dates up to August 2028.

Future minimum lease payments as at March 31, 2022 are as follows:

2023	\$ 136,984
2024	114,541
2025	81,785
2026	81,785
2027	81,785
Subsequent years	36,000

14. Financial instruments

Risk management

CLH manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance in accordance with its Risk Management Policy. The objective of the policy is to reduce volatility in cash flow and earnings. The Board of Directors monitors compliance with risk management policies and reviews these policies and procedures on an annual basis. CLH does not use derivative financial instruments to manage its risks.

CLH has exposure to the following risks associated with financial instruments:

Credit risk:

CLH is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party. CLH does not directly hold any collateral as security for financial obligations.

Credit risk at CLH is limited as rents are generally collectible as tenants are supported, and revenue is assured as majority of amounts are from government agencies with contracts negotiated in advance.

CLH Developmental Support Services

Notes to the Financial Statements

March 31, 2022

14. Financial instruments (continued)

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. The significant market risk to which CLH is exposed is interest rate risk. Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of CLH arises from its interest bearing long term debt.

CLH manages its exposure to the interest rate risk of its long term debt by negotiating terms of at least 5 years in duration, thereby minimizing the short term fluctuations in interest rates and stabilizing cash flow requirements. The majority of long term debt is negotiated by the Ministry of Housing, in consultation with CLH.

Liquidity risk

Liquidity risk is the risk that CLH will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of CLH not being able to liquidate assets in a timely manner at a reasonable price.

CLH meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and financing activities and holding assets that can be readily converted into cash. CLH has a short term unsecured bank financing facility in place should it be required to meet temporary fluctuations in cash requirements.

Risk exposure has not changed from the prior year.

15. COVID-19

As of March 11, 2020, the World Health Organization declared a global pandemic (the “pandemic”) as a result of the spread of COVID-19. Since that time, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the pandemic, as well as the effectiveness of government and central bank responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position of CLH for future periods.

Management considers the impact of the pandemic on CLH to be limited as CLH continues to receive funding from the Province of Ontario and County of Simcoe. Management continues to monitor the potential impacts of the pandemic to CLH and will respond accordingly.

CLH Developmental Support Services

Notes to the Financial Statements

March 31, 2022

16. COVID-19 Funding

The Ministry of Children, Community and Social Services has funded expenditures related to COVID-19. Expenses incurred by CLH during the 2022 fiscal year for pandemic pay, temporary wage enhancement and personal protective equipment total \$1,161,944 (2021 - \$1,284,851).
