

NEW LEAF: LIVING AND LEARNING  
TOGETHER INC.  
FINANCIAL STATEMENTS  
MARCH 31, 2014

SMITH, SYKES, LEEPER & TUNSTALL LLP  
CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

**NEW LEAF: LIVING AND LEARNING  
TOGETHER INC.  
FINANCIAL STATEMENTS  
MARCH 31, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Directors of,  
New Leaf: Living and Learning Together Inc.

We have audited the accompanying financial statements of New Leaf: Living and Learning Together Inc., which comprise the statement of financial position as at March 31, 2014 and the statements of changes in net assets, operations and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 from 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 auditors' judgment, 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 auditors consider 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The accounting policies presently in use, as disclosed in Note 2 to the financial statements, have not been altered retroactively to comply with the Canadian Accounting Standards for Not-for-Profit organizations as they are considered appropriate for the purpose of the subsidizing Ministry of the Province of Ontario who is the primary user of the financial statements. In addition, as disclosed in Note 2 there were some capital expenditures incurred which were expensed.

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 New Leaf: Living and Learning Together Inc. as at March 31, 2014 and its financial performance and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit organizations.

*Smith, Sykes, Leeper eZ7unstall LLP*

CHARTERED ACCOUNTANTS  
Licensed Public Accountants

Newmarket, Ontario.  
October 8, 2014.

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**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2014**

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash on hand (Note 4)	\$ 1,003,218	\$ 885,761
Short-term investments (Note 5)	463,655	478,855
Accounts receivable	68,559	93,200
HST receivable	150,236	169,818
	<b>1,685,668</b>	<b>1,627,634</b>
Restricted short-term investments (Note 5)	512,291	496,593
Capital assets (Note 6)	5,250,395	5,577,210
	<b>\$ 7,448,354</b>	<b>\$ 7,701,437</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,038,858	\$ 1,015,590
Current portion of mortgages payable (Note 7)	445,384	194,071
	<b>1,484,242</b>	<b>1,209,661</b>
Mortgages payable (Note 7)	2,214,842	2,660,228
Deferred revenue (Note 8)	304,461	301,528
Deferred contributions related to capital assets (Note 9)	1,531,225	1,595,311
	<b>5,534,770</b>	<b>5,766,728</b>
<b>NET ASSETS (Note 10)</b>		
Future capital replacement fund	216,030	203,265
Net investment in capital assets	1,058,941	1,127,597
Accumulated surplus	638,613	603,847
	<b>1,913,584</b>	<b>1,934,709</b>
	<b>\$ 7,448,354</b>	<b>\$ 7,701,437</b>

Approved on Behalf of the Board of Directors,

\_\_\_\_\_, Director.

\_\_\_\_\_, Director.

*The accompanying notes are an integral part of these financial statements.*

**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	<b>2014</b>			
	Future Capital Replacement Fund	Invested in Capital Assets	Accumulated Surplus from Operations	Total
Balance, beginning of the year	\$ 203,265	\$ 1,127,597	\$ 603,847	\$ 1,934,709
Appropriation from operations	10,534	0	0	10,534
Interest earned	2,231	0	0	2,231
Excess of (expenses over revenue) revenue over expenses (Note 11)	0	(68,656)	34,766	(33,890)
<b>BALANCE, END OF THE YEAR</b>	<b>\$ 216,030</b>	<b>\$ 1,058,941</b>	<b>\$ 638,613</b>	<b>\$ 1,913,584</b>

	<b>2013</b>			
	Future Capital Replacement Fund	Invested in Capital Assets	Accumulated Surplus from Operations	Total
Balance, beginning of the year	\$ 210,434	\$ 1,167,240	\$ 573,302	\$ 1,950,976
Appropriation from operations	10,534	0	0	10,534
Interest earned	2,087	0	0	2,087
Reserve expenditure	(19,790)	0	0	(19,790)
Excess of (expenses over revenue) revenue over expenses	0	(39,643)	30,545	(9,098)
<b>BALANCE, END OF THE YEAR</b>	<b>\$ 203,265</b>	<b>\$ 1,127,597</b>	<b>\$ 603,847</b>	<b>\$ 1,934,709</b>

*The accompanying notes are an integral part of these financial statements.*

**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	2014	(Note 15) 2013
<b>REVENUE</b>		
Government subsidies	\$10,231,084	\$ 9,607,611
Client contributions	1,185,029	1,178,908
Other revenue (Note 12)	126,705	122,993
Amortization of deferred capital contributions	64,086	64,086
Fundraising activities	39,601	36,572
	<b>11,646,505</b>	<b>11,010,170</b>
<b>OPERATING EXPENSES</b>		
Wages, employees' benefits and staff related costs	8,656,421	8,592,961
Repairs and maintenance	1,125,650	574,489
Amortization	378,749	394,857
Groceries and household supplies	337,959	357,067
Occupancy costs	322,721	247,898
Vehicle	197,252	186,570
Office and general	120,024	79,779
Professional fees	106,969	112,313
Insurance	97,552	96,660
Day program costs	86,123	91,915
Interest on mortgages payable	68,785	78,215
Equipment, furniture and fixtures	59,652	72,661
Telephone	50,949	64,855
Residents personal needs	37,853	50,323
Purchased services - client	21,952	7,135
Appropriation of future capital replacements fund	10,534	10,534
Fundraising expenses	1,250	1,036
	<b>11,680,395</b>	<b>11,019,268</b>
<b>EXCESS (EXPENSES OVER REVENUE)</b>	<b>\$ (33,890)</b>	<b>\$ (9,098)</b>

*The accompanying notes are an integral part of these financial statements.*

**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	<b>2014</b>	<b>2013</b>
<b>CASH PROVIDED BY (USED FOR) OPERATIONS</b>		
Excess of (expenses over revenue) for the year	\$ (33,890)	\$ (9,098)
Items not requiring an outlay of cash:		
Amortization	378,749	394,857
Amortization of deferred capital contributions	(64,086)	(64,086)
	<b>280,773</b>	<b>321,673</b>
<b>Changes in operating working capital</b>		
Short-term investments	15,200	(24,298)
Accounts receivable	24,641	(47,331)
Accounts payable and accrued liabilities	23,268	431,760
Unearned revenue	0	(1,114)
Future capital replacement fund	12,765	(7,169)
HST receivable	19,582	1,270
	95,456	<b>353,118</b>
<b>CASH PROVIDED BY OPERATIONS</b>	<b>376,229</b>	<b>674,791</b>
<b>FINANCING</b>		
Deferred revenue	2,933	2,881
(Repayment of) mortgages payable	(194,073)	(187,221)
<b>CASH (USED FOR) FINANCING</b>	<b>(191,140)</b>	<b>(184,340)</b>
<b>INVESTING</b>		
(Increase) decrease in Restricted short-term investments	(15,698)	4,288
Additions to capital assets	(66,934)	(137,688)
Proceeds on disposal of capital assets	15,000	33,781
<b>CASH (USED FOR) INVESTING</b>	<b>(67,632)</b>	<b>(99,619)</b>
<b>NET CHANGE IN CASH POSITION</b>	<b>117,457</b>	<b>390,832</b>
Cash position, beginning of the year	885,761	494,929
<b>CASH POSITION, END OF THE YEAR</b>	<b>\$ 1,003,218</b>	<b>\$ 885,761</b>

*The accompanying notes are an integral part of these financial statements.*

**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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**1. THE ORGANIZATION**

New Leaf: Living and Learning Together Inc. is a non-profit corporation without share capital incorporated under the laws of Ontario. It is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes. It was formed to provide residential, social and vocational services for dual diagnosed developmentally disabled adults, to co-operate with social service agencies engaged in related work and to promote further study, research and development in the field of care for this segment of the society. The organization's operations are funded by the Ministry of Community and Social Services of the Province of Ontario under agreement, by donations from the public and by its own fundraising activities.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) and include the following significant accounting policies:

**Estimates and assumptions -**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at March 31, 2014 and the reported amounts of the revenues and expenses for the year ended March 31, 2014. The actual results may differ from such estimates.

**Financial instruments -**

The organization recognizes and measures financial assets and financial liabilities on the statement of financial position when they become a party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition. In subsequent periods, financial assets including cash on hand, accounts receivable and HST receivable are measured at amortized cost on a straight-line basis. The measurement of GIC's maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments. In subsequent periods financial liabilities measured at amortized cost on a straight-line basis include the accounts payable and accrued liabilities, current portion of mortgages payable and mortgages payable.

**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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**2. ACCOUNTING POLICIES (Continued)**

**Revenues recognition -**

Revenues and expenses are accounted for under the accrual basis. Operating and minor capital subsidies and related expenditures are recognized in the period received in accordance with subsidizing ministry approvals.

Donations and fundraising activities are recorded on a cash basis, and when donated materials or services are received. Revenue from donations and fundraising activities which are appropriated to specific capital projects are deferred until the related capital costs are incurred.

The organization follows the deferral method of accounting for contributions and capital subsidies. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and pledges are recognized as revenue when received. Deferred contribution revenue is amortized on a straight line basis at the same rate as the capital assets to which it relates.

Revenue from fees and other contracts are recognized when the services are provided.

**Unearned revenue -**

Unearned revenue includes payments received in advance. The amounts will be recognized as revenue according to the revenue recognition policies adopted by the Organization.

**Impairment of long-lived assets -**

Long-lived assets consist of capital assets and are measured and amortized as described in note below. The Organization performs impairment testing on long-lived assets held for use wherever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized where undiscounted future cash flows from its use and disposal are less than the carrying amount. Impairment loss is measured as the amount by which the asset carrying value exceeds fair value. Any impairment is included in loss for the year.

**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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**2. ACCOUNTING POLICIES (Continued)**

**Capital assets -**

Land and buildings which have been financed are recorded at cost, which includes carrying, development and construction costs incurred to the statement of financial position date which are capitalized until construction is completed and the operations of the property are funded by the Ministry. Land and buildings which are financed are amortized annually in an equal amount to the repayment of principal on their related mortgages payable, as required by the subsidizing Ministry.

Land and buildings which have been fully subsidized by the Ministry of Community and Social Services during the year are recorded at cost, which includes carrying, development and construction costs incurred to the statement of financial position date which are capitalized until construction is completed and the operations of the property are funded by the Ministry. Land and buildings are amortized over a 35-year period, on a straight line basis.

Land and buildings which were fully subsidized in 1997 and prior years have been written off fully in the year the subsidy was received.

For the past two years, the Organization has incurred capital expenditures on the purchase and installation of sprinkler systems and have elected to expense the total costs of \$593,690 - 2014 (\$239,077 - 2013).

The cost of other capital assets purchased with operating funds are recorded in the Investment in Capital Assets fund.

Land and buildings which have been financed internally are amortized over a straight 35-year period, on a line basis.

Vehicles are amortized over a 5 year period, on a straight line basis.

Equipment is amortized over a 8 year period, on a straight line basis.

Computer software is amortized over a 2 year period, on a straight line basis.

**Contributed services and materials -**

Contributed services and materials are not recognized in the financial statements because of the difficulty of determining their fair value.

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**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Organization is exposed to the following risks related to its financial assets and liabilities:

**Liquidity risk -**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its long-term debt, accounts payable and accrued expenses.

**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 entity is exposed to interest rate risk on its fixed and floating rate financial instruments. Fixed-rate instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

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**4. CASH ON HAND**

Cash on hand consist of the following:

	<b>2014</b>	<b>2013</b>
General cash balance	\$ 765,467	\$ 677,114
Cash segregated from fundraising activities	237,751	208,647
Total cash	\$ <u>1,003,218</u>	\$ <u>885,761</u>

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**5. SHORT TERM INVESTMENTS**

Short term investments consist of several GIC's with an interest rate of 1.0% per annum maturing on March 27, 2015.

**Restricted Short term investments -**

Included in restricted short term investments is \$216,030 (2013 - \$203,265) in funding received from the Ministry of Community and Social Services for future capital replacements. Also, included in restricted short term investments is \$296,261 (2013 - \$293,328) in funds dedicated towards future operations expenditures.

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**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**6. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2014</b>	<b>Net 2013</b>
Financed by subsidy after 1997				
Part lots 23 and 24, concession 5 Town of East Gwillimbury (Elms)	\$ 855,979	\$ 342,392	\$ 513,587	\$ 538,044
Part lot 14 concession 3, Town of East Gwillimbury (Aspens)	407,009	145,363	261,646	273,275
Part lot 21, concession 6, Town of East Gwillimbury (Tamaracks)	499,995	114,288	385,707	399,993
Part Lot 1, Concession 4, 5639 Smith Blvd., Town of Georgina (Lindens)	480,000	109,712	370,288	384,002
Financed by mortgages payable				
Lots 14 and 15, concession 3, Town of East Gwillimbury (Drake Will and Farm)	3,130,159	1,509,233	1,620,926	1,741,975
Part lot 1, concession 5, Plan 65R- 503 Town of Georgina (Willows)	560,687	242,348	318,339	341,035
Part lot 31, concession 4, Town of Whitchurch-Stouffville (Cedars)	472,631	216,664	255,967	274,751
Part lots 23 and 24, concession 2, Part 2, Plan 65R-958, Town of East Gwillimbury (Pines)	447,729	184,909	262,820	279,012
Part lot 27, concession 2, Town of East Gwillimbury (Birches)	369,875	167,700	202,175	217,527
Financed internally				
Pool & Recreation Centre	767,595	131,587	636,008	657,939
Other capital assets				
Vehicles	707,947	458,911	249,036	267,141
Equipment	228,964	76,480	152,484	181,104
Computer Software	71,437	50,025	21,412	21,412
	<u>\$ 9,000,007</u>	<u>\$ 3,749,612</u>	<u>\$ 5 250,395</u>	<u>\$ 5,577,210</u>

NEW LEAF: LIVING AND LEARNING TOGETHER INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 MARCH 31, 2014

7. MORTGAGES PAYABLE

Mortgages payable are secured by some of the organization's real estate holdings, as follows:

	2014	2013
Lots 14 and 15, Concession 3 Town of East Gwillimbury - 2.400%, due September 1, 2025, repayable in blended monthly payments of \$13,445 (Drake Will and Farm)	\$ 1,620,926	\$ 1,741,974
Part Lot 1, Concession 5, Plan 65R-503 Town of Georgina - 2.245%, due October 1, 2017, repayable in blended monthly payments of \$2,507 (Willows)	318,338	341,035
Part Lot 31, Concession 4, Town of Whitchurch - Stouffville - 2.435%, due April 1, 2019, repayable in blended monthly payments of \$2,141 (Cedars)	255,967	274,751
Part of Lots 23 and 24, Concession 2, Part 2, Plan 65R-958, Town of East Gwillimbury - 3.208%, due February 1, 2015, repayable in blended monthly payments of \$2,071 (Pines)	262,820	279,012
Part Lot 27, Concession 2, Town of East Gwillimbury - 2.400%, due July 1, 2025, repayable in blended monthly payments of \$1,698 (Birches)	202,175	217,527
	2,660,226	2,854,299
Less: current portion	445,384	194,071
	\$ 2,214,842	\$ 2,660,228

The minimum annual payments over the next five years with respect to the mortgage payables are as follows:

2015	\$	445,384
2016		186,999
2017		191,485
2018		196,076
2019		200,778
Subsequent		1,439,503
		\$ 2,660,225

**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**8. DEFERRED REVENUE**

Deferred revenue represents proceeds from the sale of assets and expenditure recoveries. These are dedicated towards future operations expenditures. These will be recorded as revenue when the expenditures have been made.

**9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS**

Deferred contributions related to capital assets represent contributed capital assets and restricted contributions with which four of the Organization's buildings (Elms, Aspens, Tamaracks and Lindens) were originally purchased. The changes in the deferred contributions balance for the year are as follows:

	<b>2014</b>	<b>2013</b>
Beginning balance	\$ 1,595,311	\$ 1,659,397
Amounts amortized to revenue	(64,086)	(64,086)
Ending balance	\$ 1,531,225	\$ 1,595,311

**10. NET ASSETS**

Future capital replacement fund represents funds received under the terms of the Ministry of Community and Social Services, Dedicated Supportive Housing annual subsidy and are restricted to cover the costs of any major repairs.

Net assets invested in capital assets represents the amount of the Organization's surplus that is not available for other purposes as it has been invested in capital assets described in Note 6.

The accumulated surplus represents the amount by which the accumulated surplus of the Organization exceeds net assets invested in capital assets and future capital replacement fund.

**11. INVESTED IN CAPITAL ASSETS**

The excess of expenses over revenue in this fund balance consist of the following:

Amortization expense	\$ 378,749
Less: amount related to capital assets purchased with restricted contributions	(64,086)
Less: amount related to capital asset financing subsidized by the Ministry Less:	(194,073)
additions to capital assets	(66,934)
Add: proceeds on disposal of capital assets	<u>15,000</u>
Net decrease in net assets invested in capital assets	<u>\$ 68,656</u>

**NEW LEAF: LIVING AND LEARNING TOGETHER INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**12. OTHER REVENUE**

Other revenue consists of the following:

	<b>2014</b>	<b>2013</b>
Rental Revenue - Telus and Rogers	\$ 37,283	\$ 23,366
CAMH - External Projects	30,000	0
Cost recovery	28,524	47,345
Solar Revenue	10,062	9,819
Day Program Revenue	8,774	5,639
Interest Income	6,813	4,807
Miscellaneous	5,249	20,050
Passport Access Fees	0	11,968
	\$ 126,705	\$ 122,994

**13. LEASE COMMITMENTS**

The Organization has entered into a lease for its office equipment with minimum aggregate annual payments for the next five years as follows:

2015	\$	1,854
2016		9,227
2017		9,037
2018		8,847
2019		8,847
thereafter		2,949

**14. EXTERNAL PROJECTS**

During the year the Organization was selected as lead agency for a Housing Study Project on behalf of the Toronto Networks of Specialized Care. The funds were received from the Centre for Addiction and Mental Health \$30,000 and the Ministry of Community and Social Services-Toronto \$30,000.

**15. RESTATEMENT**

Various amounts have been restated to conform with this year's financial statement presentation.