

**NEW LEAF: LIVING AND LEARNING
TOGETHER INC.
FINANCIAL STATEMENTS
MARCH 31, 2021**

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

**NEW LEAF: LIVING AND LEARNING
TOGETHER INC.
FINANCIAL STATEMENTS
MARCH 31, 2021**

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

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, 2021** 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.

In our opinion, except for the 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 New Leaf: Living and Learning Together Inc. as at **March 31, 2021** and its financial performance and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit organizations.

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.

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 New Leaf: Living and Learning Together Inc. 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 New Leaf: Living and Learning Together Inc.'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 New Leaf: Living and Learning Together Inc. or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing New Leaf: Living and Learning Together Inc.'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.

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 New Leaf: Living and Learning Together Inc.'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 New Leaf: Living and Learning Together Inc.'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 New Leaf: Living and Learning Together Inc. 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.

Smith, Sykes, Leeper & Tunstall LLP

**CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants**

Newmarket, Ontario.
August 3, 2021.

NEW LEAF: LIVING AND LEARNING TOGETHER INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

| | 2021 | 2020 |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash (Note 4) | \$ 1,494,597 | \$ 1,325,487 |
| Short-term investments (Note 5) | 490,002 | 485,850 |
| Accounts receivable | 74,769 | 79,874 |
| Prepaid expenses | 37,820 | 37,820 |
| HST receivable | <u>219,130</u> | <u>191,420</u> |
| | 2,316,318 | 2,120,451 |
| Restricted cash (Note 4) | 655,727 | 1,977,571 |
| Restricted short-term investments (Note 5) | 625,471 | 607,077 |
| Capital assets (Note 6) | <u>4,278,646</u> | <u>4,443,889</u> |
| | \$ 7,876,162 | \$ 9,148,988 |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 1,266,686 | \$ 1,167,206 |
| Government remittances payable | 116,740 | 95,775 |
| Current portion of mortgages payable (Note 7) | <u>232,974</u> | <u>973,684</u> |
| | 1,616,400 | 2,236,665 |
| Mortgages payable (Note 7) | 895,221 | 385,828 |
| Deferred revenue (Note 8) | 486,223 | 483,570 |
| Deferred contributions related to capital assets (Note 9) | 1,869,977 | 1,957,922 |
| Future liability to construct (Note 10) | <u>490,800</u> | <u>1,812,643</u> |
| | 5,358,621 | 6,876,628 |
| <u>NET ASSETS (Note 11)</u> | | |
| Future capital replacement fund | 312,374 | 296,635 |
| Net investment in capital assets | 1,280,470 | 1,126,451 |
| Accumulated surplus | <u>924,697</u> | <u>849,274</u> |
| | 2,517,541 | 2,272,360 |
| | \$ 7,876,162 | \$ 9,148,988 |

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, 2021

| | 2021 | | | |
|---|--|---------------------------------------|--|---------------------|
| | Future Capital Replacement Fund | Invested in Capital Assets | Accumulated Surplus from Operations | Total |
| Balance, beginning of the year | \$ 296,635 | \$ 1,126,451 | \$ 849,274 | \$ 2,272,360 |
| Appropriation from operations | 10,533 | 0 | 0 | 10,533 |
| Interest earned | 5,206 | 0 | 0 | 5,206 |
| Excess of revenue over expenses (Note 12) | 0 | 154,019 | 75,423 | 229,442 |
| BALANCE, END OF THE YEAR | \$ 312,374 | \$ 1,280,470 | \$ 924,697 | \$ 2,517,541 |

| | 2020 | | | |
|---------------------------------|--|---------------------------------------|--|---------------------|
| | Future Capital Replacement Fund | Invested in Capital Assets | Accumulated Surplus from Operations | Total |
| Balance, beginning of the year | \$ 284,678 | \$ 902,659 | \$ 766,919 | \$ 1,954,256 |
| Appropriation from operations | 10,534 | 0 | 0 | 10,534 |
| Interest earned | 1,423 | 0 | 0 | 1,423 |
| Excess of revenue over expenses | 0 | 223,792 | 82,355 | 306,147 |
| BALANCE, END OF THE YEAR | \$ 296,635 | \$ 1,126,451 | \$ 849,274 | \$ 2,272,360 |

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, 2021

| | 2021 | 2020 |
|---|-------------------|-------------------|
| REVENUE | | |
| Government subsidies | \$13,382,748 | \$11,800,565 |
| Client contributions | 1,140,434 | 1,330,105 |
| Other revenue (Note 13) | 554,616 | 623,494 |
| Amortization of deferred capital contributions | 87,945 | 87,945 |
| Fundraising activities | 18,135 | 59,156 |
| | 15,183,878 | 13,901,265 |
| OPERATING EXPENSES | | |
| Wages, employees' benefits and staff related costs | 12,061,333 | 11,099,412 |
| Repairs and maintenance | 1,049,314 | 625,812 |
| Amortization | 495,696 | 435,856 |
| Groceries and household supplies | 313,740 | 303,834 |
| Occupancy costs | 223,665 | 239,064 |
| Vehicle | 124,057 | 219,285 |
| Office and general | 132,799 | 150,295 |
| Insurance | 171,581 | 147,893 |
| Day program costs | 87,592 | 88,381 |
| Professional fees | 36,481 | 87,282 |
| Equipment, furniture and fixtures | 120,440 | 67,631 |
| Telephone | 54,479 | 47,266 |
| Purchased services - client | 29,166 | 28,250 |
| Interest on mortgages payable | 18,494 | 22,692 |
| Residents personal needs | 25,066 | 21,631 |
| Appropriation of future capital replacements fund | 10,533 | 10,534 |
| | 14,954,436 | 13,595,118 |
| EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR | \$ 229,442 | \$ 306,147 |

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, 2021

| | 2021 | 2020 |
|--|---------------------|---------------------|
| CASH PROVIDED BY (USED FOR) | | |
| OPERATIONS | | |
| Excess of revenue over expenses for the year | \$ 229,442 | \$ 306,147 |
| Items not requiring an outlay of cash: | | |
| Amortization | 495,696 | 435,856 |
| Amortization of deferred capital contributions | <u>(87,945)</u> | <u>(87,945)</u> |
| | 637,193 | 654,058 |
| Changes in operating working capital | | |
| Short-term investments | (4,152) | (8,356) |
| Accounts receivable | 5,105 | 4,491 |
| Accounts payable and accrued liabilities | 99,480 | 54,821 |
| Government remittances payable | 20,965 | 1,857 |
| Prepaid expenses | 0 | 9,630 |
| Future capital replacement fund | 15,739 | 11,957 |
| HST receivable | <u>(27,710)</u> | <u>(35,643)</u> |
| | 109,427 | 38,757 |
| CASH PROVIDED BY OPERATIONS | 746,620 | 692,815 |
| FINANCING | | |
| Increase in deferred revenue | 2,653 | 5,339 |
| (Repayment of) mortgages payable | (231,317) | (227,584) |
| (Decrease) increase in Future liability to construct | <u>(1,321,844)</u> | <u>1,812,643</u> |
| CASH (USED FOR) PROVIDED BY FINANCING | (1,550,508) | 1,590,398 |
| INVESTING | | |
| Decrease (increase) in Restricted cash | 1,321,844 | (1,812,643) |
| (Increase) in Restricted short-term investments | (18,393) | (17,297) |
| Additions to capital assets | (370,405) | (352,954) |
| Proceeds on disposal of capital assets | <u>39,952</u> | <u>8,835</u> |
| CASH PROVIDED BY (USED FOR) INVESTING | 972,998 | (2,174,059) |
| NET CHANGE IN CASH POSITION | 169,110 | 109,154 |
| Cash position, beginning of the year | 1,325,487 | 1,216,333 |
| CASH POSITION, END OF THE YEAR | \$ 1,494,597 | \$ 1,325,487 |

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, 2021

1. THE ORGANIZATION

New Leaf: Living and Learning Together Inc. (the Organization) 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 Children, Community and Social Services of the Province of Ontario under agreement, by donations from the public and by its own fundraising activities.

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 Non-For-Profit Organizations requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of contributions and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets; and the valuation of accruals. Actual results could differ from those estimates.

Cash -

Cash is defined as cash on hand, cash on deposit, net of cheques issued and outstanding at the reporting date.

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, short-term investments, and accounts receivable are measured at amortized cost. In subsequent periods financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, current portion of mortgages payable and mortgages payable.

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.

NEW LEAF: LIVING AND LEARNING TOGETHER INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT 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 Children, 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.

Land and buildings which are purchased with restricted contributions are recorded at cost and are amortized over a 35-year period, on a straight line basis.

During the year, the Organization made some capital improvements on one of the properties (Sycamore). The Organization has elected to expense these expenditures in the amount of \$23,022 (2020 - \$31,531).

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 35-year period, on a straight 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.

NEW LEAF: LIVING AND LEARNING TOGETHER INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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 accounts payable and accrued expenses and mortgages payable. The Organization expects to meet these obligations as they come due by generating sufficient cash flow from operations. There has been no change in the risk assessment from the prior period.

Credit risk -

Credit risk arises from the possibility that the entities to which the Organization services may experience financial difficulty and be unable to fulfill their contractual obligations. The Organization is mainly exposed to credit risk through other income which is a small portion of overall contributions. Actual exposure to credit losses has been minimal in prior years. There has been no change in the risk assessment from the prior period.

Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk through it's mortgages which are based on fixed-rate obligations and it's short term investments. The mortgages subject the Organization to a fair value risk with the exposure fluctuating due to the debt changes from year to year. The short-term interest bearing investments held by the Organization have a limited exposure to interest rate risk due to their short-term maturity.

NEW LEAF: LIVING AND LEARNING TOGETHER INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

4. CASH

Cash consists of the following:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|---------------------|---------------------|
| General cash balance | \$ 910,228 | \$ 755,716 |
| Cash from fundraising activities | <u>584,369</u> | <u>569,771</u> |
| Total | <u>\$ 1,494,597</u> | <u>\$ 1,325,487</u> |
| Restricted cash | \$ 655,727 | \$ 1,977,571 |

Restricted cash represents the unspent funds (\$164,927) from the Donation of \$1M received for the High Needs Housing Proposal. These funds are to be spent on the Sycamore House or a future project similar in nature.

Restricted cash also includes:

In the prior year the Organization sold one of its properties (Pines) to the Region of York (Region), see Note 10 for further discussion. The Organization negotiated with the Region to purchase a new property and to make all the necessary modifications would cost \$2,702,000. As at the reporting date of March 31, 2021, the funds left to be spent to retrofit the new property are \$490,800. As part of the agreement any unused funds must be repaid to the Region.

5. SHORT TERM INVESTMENTS

Short term investments consist of several GIC's presented at cost with interest rates of 0.35% and 0.85% per annum. These GIC's mature on April 7, 2021 and March 29, 2022.

Restricted Short term investments -

Included in restricted short term investments is \$312,375 (2020 - \$296,634) in funding received from the Ministry of Children, Community and Social Services for future capital replacements. Also, included in restricted short term investments is \$313,096 (2020 - \$310,443) in funds dedicated towards future operations expenditures.

NEW LEAF: LIVING AND LEARNING TOGETHER INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

6. CAPITAL ASSETS

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net 2021</u> | <u>Net 2020</u> |
|--|---------------------|-------------------------------------|---------------------|---------------------|
| Financed by subsidy after 1997: | | | | |
| Part lots 23 and 24, concession 5 Town of East Gwillimbury (Elms) | \$ 855,979 | \$ 513,592 | \$ 342,387 | \$ 366,841 |
| Part lot 14 concession 3, Town of East Gwillimbury (Aspens) | 407,009 | 226,766 | 180,243 | 191,872 |
| Part lot 21, concession 6, Town of East Gwillimbury (Tamaracks) | 499,995 | 214,290 | 285,705 | 299,991 |
| Part Lot 1, Concession 4, 5639 Smith Blvd., Town of Georgina (Lindens) | 480,000 | 205,710 | 274,290 | 288,004 |
| Financed by mortgages payable: | | | | |
| Lots 14 and 15, concession 3, Town of East Gwillimbury (Drake Will and Farm) | 3,130,159 | 2,466,593 | 663,566 | 807,468 |
| Part lot 1, concession 5, Plan 65R- 503 Town of Georgina (Willows) | 560,687 | 415,366 | 145,321 | 171,714 |
| Part lot 31, concession 4, Town of Whitchurch-Stouffville (Cedars) | 472,631 | 364,867 | 107,764 | 130,441 |
| 22289 Warden Ave., Town of East Gwillimbury (Pines) | 447,729 | 317,088 | 130,641 | 150,758 |
| Part lot 27, concession 2, Town of East Gwillimbury (Birches) | 369,875 | 289,002 | 80,873 | 99,100 |
| Financed internally: | | | | |
| Pool & Recreation Centre | 767,595 | 285,097 | 482,498 | 504,430 |
| Part Lot 5, concession 2, 6627 Frog Street, Town of Pepperlaw (Sycamore) | 835,072 | 47,718 | 787,354 | 811,213 |
| Other capital assets: | | | | |
| Vehicles | 1,022,418 | 445,586 | 576,832 | 457,020 |
| Equipment | 377,257 | 156,085 | 221,172 | 165,037 |
| Computer Software | <u>21,412</u> | <u>21,412</u> | <u>0</u> | <u>0</u> |
| | <u>\$10,247,818</u> | <u>\$ 5,969,172</u> | <u>\$ 4,278,646</u> | <u>\$ 4,443,889</u> |

NEW LEAF: LIVING AND LEARNING TOGETHER INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

7. MORTGAGES PAYABLE

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

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Lots 14 and 15, Concession 3 Town of East Gwillimbury - 0.68%, with a renewal date of July 1, 2025, repayable in blended monthly payments of \$12,480 secured by the land and building with a carrying value of \$663,595 (Drake Will and Farm) | \$ 663,595 | \$ 807,499 |
| Part Lot 1, Concession 5, Plan 65R-503 Town of Georgina - 2.62%, due October 1, 2022, repayable in blended monthly payments of \$2,546, secured by the land and building with a carrying value of \$145,321 (Willows) | 145,321 | 171,714 |
| Part Lot 31, Concession 4, Town of Whitchurch - Stouffville - 2.70%, due April 1, 2024, repayable in blended monthly payments of \$2,158, secured by the land and building with a carrying value of \$107,764 (Cedars) | 107,764 | 130,441 |
| 22289 Warden Ave., Town of East Gwillimbury - 2.68%, due February 1, 2025, repayable in blended monthly payments of \$1,990, secured by the land and building with a carrying value of \$130,641 (Pines) | 130,641 | 150,758 |
| Part Lot 27, Concession 2, Town of East Gwillimbury - 0.68%, with a renewal date of September 1, 2025, repayable in blended monthly payments of \$1,578, secured by the land and building with a carrying value of \$80,874 (Birches) | 80,874 | 99,100 |
| | 1,128,195 | 1,359,512 |
| Less: current portion | 232,974 | 973,684 |
| | <u>\$ 895,221</u> | <u>\$ 385,828</u> |

The Drake Will and Farm and Birches mortgages are with a payment structure for 25 years. It is the Organization's intention to renew the loan at the renewal date.

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

| | |
|------|---------------------|
| 2022 | \$ 232,974 |
| 2023 | 330,995 |
| 2024 | 212,829 |
| 2025 | 270,343 |
| 2026 | 81,054 |
| | <u>\$ 1,128,195</u> |

NEW LEAF: LIVING AND LEARNING TOGETHER INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

8. DEFERRED REVENUE

Deferred revenue represents proceeds from the sale of assets, expenditure recoveries and unspent funds from a restricted donation. These are dedicated towards future operations expenditures and specific housing projects. These will be recorded as revenue when the expenditures have been made. Due to the restrictions placed on these funds, the annual interest earned of \$2,653 (2020 - \$5,339) has been added to the balance.

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the 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:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|---------------------|---------------------|
| Beginning balance | \$ 1,957,922 | \$ 2,045,867 |
| Amounts amortized to revenue | <u>(87,945)</u> | <u>(87,945)</u> |
| Ending balance | <u>\$ 1,869,977</u> | <u>\$ 1,957,922</u> |

10. FUTURE LIABILITY TO CONSTRUCT

In the prior year the Organization sold a property (Pines) to the Region of York. The property was sold for up to \$2,702,000 which is made up of an amount to replace the original property and the associated costs to retrofit the property suitable to the Organization's requirements. A property was subsequently repurchased to replace the original property at a cost of \$850,107. The Organization will have to repay any unspent funds once the construction costs are completed to retrofit the new property. Since it was determined that the transaction to sell and purchase the new property was a simultaneous decision then the transaction can be recorded as one transaction. Based on this conclusion, the cost of the property will be recorded at the carrying value, and no gain on sale will be recognized. The remaining amount of \$490,800 has been set up as a future liability to construct the property and will be reduced as the costs to retrofit the new property are incurred.

11. NET ASSETS

Future capital replacement fund represents funds received under the terms of the Ministry of Children, 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.

NEW LEAF: LIVING AND LEARNING TOGETHER INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

12. INVESTED IN CAPITAL ASSETS

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

| | |
|--|---------------------|
| Amortization expense | \$ 495,696 |
| Less: amount related to capital assets purchased with restricted contributions | (87,945) |
| Less: amount related to capital asset financing subsidized by the Ministry | (231,317) |
| Less: additions to capital assets financed by operations | (370,405) |
| Add: proceeds on disposal of capital assets | <u>39,952</u> |
| Net increase in net assets invested in capital assets | <u>\$ (154,019)</u> |

13. OTHER REVENUE

Other revenue consists of the following:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-------------------|-------------------|
| Cost recovery | \$ 412,752 | \$ 315,286 |
| Stabilization Bed Program Revenue | 0 | 113,865 |
| Rental Revenue - Bell and Rogers | 53,319 | 51,653 |
| Admin Fee (see note) | 27,929 | 41,311 |
| Miscellaneous | <u>60,616</u> | <u>101,379</u> |
| | <u>\$ 554,616</u> | <u>\$ 623,494</u> |

Admin Fee consists of the 10% MCCSS permitted fee on Passports and related programs.

14. LEASE COMMITMENTS

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

| | |
|------|----------|
| 2022 | \$ 8,847 |
|------|----------|

15. UNCERTAINTY DUE TO COVID-19

The impact of COVID-19 in Canada and on the the global economy is ongoing. The Organization's funding is primarily from government sources and as such the funding is so far being maintained during the global pandemic. If the impacts of COVID-19 continue there could be further impact on the Organization and its major funders, participants, employers, suppliers and other third party business associates that could impact the timing and amounts realized on the Organization's assets and future operations. At this time, the impact of COVID-19 has not interrupted any of the funding from the government.

INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

To the Ministry of Children, Community and Social Services.

Opinion

We have audited the segmented information (the "Statements") for each program funded by the Ministry of Children, Community and Social Services (MCCSS) for New Leaf: Living and Learning Together Inc. as at March 31, 2021. This financial information was prepared using Canadian accounting standards for Not-for-Profit organizations except that additions to capital assets have been expensed rather than capitalized and amortized, and related funding has not been deferred and amortized. In our opinion, the accompanying statements of the Organization for the year ended March 31, 2021 are prepared, in all material respects, in accordance with the financial reporting requirements of the MCCSS.

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 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 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.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Paragraph 1, which describes the basis of accounting. The statements are prepared to assist the Organization in complying with the financial reporting requirements referred to above. As a result, the statements may not be suitable for another purpose. Our report is intended solely for the Organization and should not be distributed to or used by parties other than New Leaf: Living and Learning Together Inc. and MCCSS.

Responsibilities of Management and Those Charged with Governance for the Statements

Management is responsible for the preparation of the statements in accordance with the reporting provision of MCCSS and for such internal control as management determines is necessary to enable the preparation of statements that are free from material misstatement, whether due to fraud or error.

In preparing the statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Auditor's Responsibilities for the Audit of the Statements

Our objectives are to obtain reasonable assurance about whether the 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 considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these statements.

Smith, Sykes, Leeper & Tunstall LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Newmarket, Ontario.
August 3, 2021.

NEW LEAF: LIVING AND LEARNING TOGETHER INC.
SEGMENTED FINANCIAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2021

| | MCCSS - TORONTO REGION | | | | MCCSS - CENTRAL REGION | | | | DSH | TOTAL OF ALL PROGRAMS |
|---|-----------------------------------|---|---|---------------------|-----------------------------------|---|------------------------|----------------------------|----------------|-----------------------|
| | SUPPORTED GROUP LIVING RESIDENCES | COMMUNITY PARTICIPATION SERVICES AND SUPPORTS | CRRF - COVID 19 RESIDENTIAL RELIEF FUND | MCSS TORONTO REGION | SUPPORTED GROUP LIVING RESIDENCES | COMMUNITY PARTICIPATION SERVICES AND SUPPORTS | TEMPORARY PANDEMIC PAY | TEMPORARY WAGE ENHANCEMENT | | |
| REVENUE | | | | | | | | | | |
| Subsidies from MCCSS | 8,581,970 | 1,535,775 | 310,863 | 10,428,608 | 1,087,824 | 259,390 | 546,196 | 502,368 | 558,382 | 13,382,748 |
| Transfer between progra | 811,951 | (811,951) | | - | 140,259 | (140,259) | | - | | - |
| Client Contribution | 1,154,708 | | | 1,154,708 | 220,148 | | | 220,148 | | 1,374,856 |
| Offset Intercompany revenue | (96,192) | | | (96,192) | | | | | 96,192 | - |
| Deferred contribution revenue | 50,372 | | | 50,372 | 13,714 | | | 13,714 | | 87,945 |
| Other Revenues | 109,921 | 37,054 | | 146,975 | 3,863 | | | 3,863 | | 320,194 |
| Fundraising Revenues | | | | - | | | | - | | 18,135 |
| | 10,612,730 | 760,878 | 310,863 | 11,684,471 | 1,465,808 | 119,131 | 546,196 | 502,368 | 654,554 | 15,183,878 |
| EXPENDITURES | | | | | | | | | | |
| Wages and Benefits | 8,522,558 | 223,478 | 66,773 | 8,812,809 | 1,138,653 | 43,825 | 546,196 | 502,368 | 98,952 | 11,293,710 |
| Staff Training | 32,672 | 1,371 | | 34,043 | 1,665 | 156 | | | 161 | 36,025 |
| Building Occupancy | 597,200 | 289,745 | | 886,945 | 119,311 | 29,056 | | | 468,547 | 1,503,859 |
| Travel and Communication | 33,619 | 866 | | 34,485 | 2,881 | 203 | | | 2,216 | 39,785 |
| Supplies and Equipment | 721,568 | 47,680 | 244,090 | 1,013,338 | 110,647 | 23,781 | | | 30,885 | 1,178,631 |
| Other Program/Service Expenditure | 77,696 | 78,932 | | 156,628 | 3,406 | 8,780 | | | 106 | 168,920 |
| Amortization-building | 50,372 | | | 50,372 | 13,714 | | | | | 87,945 |
| Allocated Admin | 673,237 | 118,307 | | 792,044 | 75,531 | 13,329 | | | 53,707 | 934,611 |
| Offset Intercompany expenses | (96,192) | | | (96,192) | | | | | | (96,192) |
| Fundraising expenses | | | | - | | | | | | 1,112 |
| | 10,612,730 | 760,879 | 310,863 | 11,684,472 | 1,465,808 | 119,130 | 546,196 | 502,368 | 654,554 | 15,148,406 |
| EXCESS OF REVENUES OVER EXPENDITURES | | | | | | | | | | |
| (EXPENDITURES OVER REVENUES) | - | (1) | - | (1) | - | 1 | - | - | (0) | 35,472 |