

Financial Statements of

**VITA COMMUNITY LIVING
SERVICES OF TORONTO**

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Vita Community Living Services of Toronto

We have audited the financial statements of Vita Community Living Services of Toronto (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statements of earnings for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and schedule.

(Hereinafter referred to as the "financial statements").

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 18, 2019

Vaughan, Canada

VITA COMMUNITY LIVING SERVICES OF TORONTO

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash (note 2)	\$ 5,441,416	\$ 4,217,814
Accounts receivable (note 3)	314,016	257,436
Provincial grant receivable	66,642	232,506
Due from Mens Sana Families for Mental Health (note 4)	-	17,076
Sales taxes recoverable	502,388	409,901
Prepaid expenses	59,789	144,583
	<u>6,384,251</u>	<u>5,279,316</u>
Capital assets (note 5)	4,761,423	5,014,794
	<u>\$ 11,145,674</u>	<u>\$ 10,294,110</u>

Liabilities and Net Assets

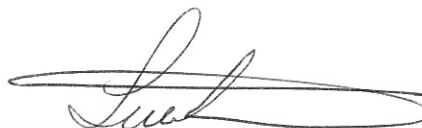
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 4,582,192	\$ 4,270,714
Advances from Villa Charities Inc. (note 7)	548,071	548,071
Deferred government grants related to capital assets	2,423,103	2,661,901
	<u>2,971,174</u>	<u>3,209,972</u>
Net assets:		
Net assets invested in capital assets (note 8(a))	2,338,320	2,352,893
Unrestricted net assets	1,253,988	460,531
	<u>3,592,308</u>	<u>2,813,424</u>
Commitments (note 10)		
Economic dependence (note 12)		
	<u>\$ 11,145,674</u>	<u>\$ 10,294,110</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

VITA COMMUNITY LIVING SERVICES OF TORONTO

Statement of Earnings

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Ministry of Community and Social Services ("MCSS")	\$ 26,295,653	\$ 23,931,506
Fees for service and other client fees	3,514,470	3,395,916
Other	2,713,024	2,782,213
	<u>32,523,147</u>	<u>30,109,635</u>
Expenses:		
Salaries and benefits	25,083,276	22,361,589
Maintenance	1,718,206	1,740,169
Purchased services (note 9)	1,102,226	1,198,773
Rent	952,020	920,228
Office and general	656,047	1,057,172
Vehicle operation and maintenance	618,001	540,234
Food	612,944	531,926
Supplies	240,282	295,584
Program expenses	214,637	183,763
Transportation and travel	160,959	118,524
Residents personal needs	148,028	152,506
Insurance	142,790	152,187
Professional fees	67,014	5,044
Bank and interest charges	13,149	9,637
Bad debts	111	59,930
	<u>31,729,690</u>	<u>29,327,266</u>
Excess of revenue over expenses before the undernoted item	793,457	782,369
Amortization of capital assets (net of deferred capital grants related to capital assets)	14,573	15,235
Excess of revenue over expenses	\$ 778,884	\$ 767,134

See accompanying notes to financial statements.

VITA COMMUNITY LIVING SERVICES OF TORONTO

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Invested in capital assets (note 8(b))	Unrestricted	2019	2018
Net assets, beginning of year	\$ 2,352,893	\$ 460,531	\$ 2,813,424	\$ 2,046,290
Excess (deficiency) of revenue over expenses (note 8(b))	(14,573)	793,457	778,884	767,134
Net assets, end of year	\$ 2,338,320	\$ 1,253,988	\$ 3,592,308	\$ 2,813,424

See accompanying notes to financial statements.

VITA COMMUNITY LIVING SERVICES OF TORONTO

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 778,884	\$ 767,134
Items not affecting cash:		
Amortization of capital assets	253,371	254,032
Amortization of deferred capital grants related to capital assets (note 1(a))	(238,798)	(238,797)
	793,457	782,369
Changes in non-cash working capital:		
Accounts receivable	(56,580)	400,281
Provincial grant receivable	165,864	390,364
Prepaid expenses	84,794	(93,993)
Sales taxes recoverable	(92,487)	(4,293)
Accounts payable and accrued liabilities	311,478	934,278
	1,206,526	2,409,006
Financing activities:		
Due to Mens Sana Families for Mental Health	-	(285,766)
	-	(285,766)
Investing activities:		
Due from Mens Sana Families for Mental Health	17,076	(17,076)
Increase in cash	1,223,602	2,106,164
Cash, beginning of year	4,217,814	2,111,650
Cash, end of year	\$ 5,441,416	\$ 4,217,814

See accompanying notes to financial statements.

VITA COMMUNITY LIVING SERVICES OF TORONTO

Notes to Financial Statements

Year ended March 31, 2019

In 1986, Vita Community Living Services of Toronto (the "Organization") began as a division of Villa Charities Inc. and was incorporated without share capital on June 30, 1987. Since 2004, the Organization is a non-profit charitable organization funded primarily by the Ontario Ministry of Community and Social Services ("MCSS") to provide services to adults with intellectual disabilities and dual diagnosis (intellectual disability accompanied by a psychiatric diagnosis). The Organization provides residential supports, respite programs and community participation programs as well as clinical and educational services to its members.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include subsidies.

Government grants used for the purchase of capital assets are deferred and amortized to revenue on the same basis as the assets to which they relate.

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.

(b) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided on a straight-line basis over their estimated useful lives using the following annual rates:

Asset	Rate
Buildings	5%
Furniture and fixtures	20%
Leasehold improvements	5-10%
Vehicles	30%
Improvements from deferred grants	5%

VITA COMMUNITY LIVING SERVICES OF TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(c) Excess of revenue over expenses repayable:

Excess of revenue over expenses is repayable to the provincial agency providing the funding. Repayment if any, will be in the form of reduced subsidies by the funding agency in the following year.

(d) Income tax status:

The Organization is a registered charitable organization under the provisions of the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

(e) Remuneration:

Members of the Board of Governors are volunteers who serve without remuneration.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

VITA COMMUNITY LIVING SERVICES OF TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

The fair values of cash, provincial grants receivable, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short terms to maturity.

The fair value of the advances from Villa Charities Inc. and amounts due from Mens Sana Families for Mental Health are not determinable due to their related party nature and terms.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions 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 revenues and expenditures during the year. Actual results could differ from those estimates.

(h) Contributed services:

The Organization does not recognize contributed services in the financial statements due to the difficulty of determining the fair value.

2. Cash in trust:

The Organization has cash held in trust totaling approximately \$790,000 (2018 - \$661,000) which is administered on behalf of its residents. These funds can be drawn upon by residents for personal use at any time. These funds do not form a part of the financial statements.

3. Accounts receivable:

	2019	2018
Trade	\$ 354,838	\$ 300,945
Allowance for doubtful accounts	(40,822)	(43,509)
	<u>\$ 314,016</u>	<u>\$ 257,436</u>

4. Due from Mens Sana Families for Mental Health:

The amounts due from Mens Sana Families for Mental Health are non-interest bearing, unsecured and have no fixed terms of repayment.

VITA COMMUNITY LIVING SERVICES OF TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 2,506,775	\$ -	\$ 2,506,775	\$ 2,506,775
Buildings	3,332,269	2,065,063	1,267,206	1,433,819
Furniture and fixtures	437,208	346,369	90,839	97,103
Leasehold improvements	1,439,085	1,207,738	231,347	254,014
Vehicles	51,426	47,826	3,600	5,143
Improvements from deferred grants	1,125,676	464,020	661,656	717,940
	\$ 8,892,439	\$ 4,131,016	\$ 4,761,423	\$ 5,014,794

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$80,484 (2018 - \$61,078), relating to payroll related taxes.

7. Advances from Villa Charities Inc.:

The advances are non-interest bearing, unsecured and have no fixed terms of repayment. The advances have been classified as long-term as there is no plan or intention to pay the balances from 365 days from the statement of financial position date. The Organization and Villa Charities Inc. are discussing the nature of the payable balances and associated terms as the advances consist of cash transfers and cost allocations between Villa Charities Inc. and the Organization for operational funding purposes.

VITA COMMUNITY LIVING SERVICES OF TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Net assets invested in capital assets:

(a) Net assets invested in capital assets are calculated as follows:

	2019	2018
Capital assets	\$ 4,761,423	\$ 5,014,794
Less amounts financed by deferred contributions	2,423,103	2,661,901
	<u>\$ 2,338,320</u>	<u>\$ 2,352,893</u>

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

	2019	2018
Deficiency of revenue over expenses:		
Amortization of deferred contributions related to capital assets	\$ 238,798	\$ 238,797
Amortization of capital assets	(253,371)	(254,032)
	<u>\$ (14,573)</u>	<u>\$ (15,235)</u>

9. Related party transactions:

During the year, Mens Sana Families for Mental Health charged the Organization \$437,470 (2018 - \$460,569) for costs related to the day program held at 3200 Steeles Avenue West and residential support held at 7 Alamosa Drive and at 114 Indian Road.

Vita Community Living Services and Mens Sana Families for Mental Health are organizations with similar values and operating principals which joined forces to share resources. The organizations are separate corporations governed by two separate boards although the two boards have the same membership.

VITA COMMUNITY LIVING SERVICES OF TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Commitments:

The Organization leases premises and vehicles under various operating leases. The minimum lease payments for the next five years and thereafter are approximately as follows:

2020	\$	546,300
2021		442,200
2022		438,400
2023		325,400
2024		136,200
Thereafter		95,500
	\$	1,984,000

11. Financial risks:

The Organization is exposed to the following risks associated with its financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risks by monitoring its operating requirements. There has been no change to the risk exposures from 2018.

12. Economic dependence:

The future viability of the Organization is dependent upon continued support from the MCSS.

VITA COMMUNITY LIVING SERVICES OF TORONTO

Notes to Financial Statements (continued)

Year ended March 31, 2019

13. Transitional Housing Project Funding:

Included in other revenue is \$115,398 (2018 - \$123,614) in relation to funding received from Griffin Centre to provide staffing support of five transitional beds at 21 Rollingwood Drive and rental subsidy for a flexible space at 76 Winston Park Boulevard. Both these locations are group homes of the Organization. During the year, expenditures incurred for this transitional housing project were \$502,604 (2018 - \$406,978).

14. Service Contract/DSA Approval with MCSS:

The Organization has a Service Contract/DSA Approval with MCSS. The following summarizes, by service (project code), any surplus or deficit that relates to the Service Contract/DSA Approval as at March 31, 2019.

Any surplus amounts are reflected in accounts payable and accrued liabilities.

The following reconciles the deficiency of revenues over expenses for the above service detail codes to the excess of revenues over expenses as reported in the statement of operations:

Excess of revenue over expenses	\$	778,884
Amortization of capital assets (net of deferred capital grants related to capital assets)		14,573
Additions to capital assets		-
Additions to deferred grants		-
Other revenues		(3,634,777)
Other expenses		2,841,320
	\$	-

15. Comparative information:

Certain 2018 comparative information has been reclassified to conform with the financial statement presentation adopted per the current year.

