

**SOUTHERN FRONTENAC COMMUNITY SERVICES
CORPORATION**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Southern Frontenac Community Services Corporation

Qualified Opinion

We have audited the accompanying financial statements of Southern Frontenac Community Services Corporation (the "Entity"), which comprise the statement of financial position as at March 31, 2023 and the statements of operations, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible 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 the Entity as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Entity derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenues, the excess of revenues over expenses or cash flow from operations for the years ended March 31, 2023 and 2022, current assets at March 31, 2023 and 2022 and net assets as at April 1 and March 31 for both the 2023 and 2022 fiscal years.

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 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 qualified 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.

Auditor's Responsibilities for the Audit of the Financial Statements

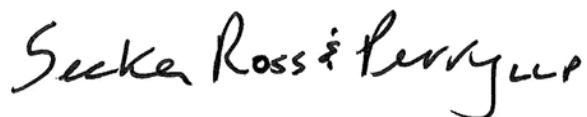
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Entity's internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 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 Entity 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.



Chartered Professional Accountants
Licensed Public Accountants
Kingston, Ontario
June 7, 2023

SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 1,370,546	\$ 289,167
Guaranteed investment certificates (note 3)	-	324,728
Accounts and sales tax receivable	99,845	154,773
Prepaid expenses	<u>6,636</u>	<u>7,674</u>
	1,477,027	776,342
 Capital Assets (note 4)	 <u>877,135</u>	 <u>694,795</u>
	<u>\$ 2,354,162</u>	<u>\$ 1,471,137</u>
 Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 210,121	\$ 168,099
Forgivable loan (note 6)	500,000	-
Unspent contributions for capital expansion (note 7)	247,870	126,213
Deferred revenue (note 8)	<u>7,736</u>	<u>3,931</u>
	965,727	298,243
 Deferred Contributions Related to Capital Assets (note 9)	 <u>702,577</u>	 <u>519,929</u>
	<u>1,668,304</u>	<u>818,172</u>
 Net Assets (note 10)		
Invested in capital assets	174,558	174,865
Internally restricted	100,781	67,396
Unrestricted	100,204	100,389
Reserve funds	<u>310,315</u>	<u>310,315</u>
	<u>685,858</u>	<u>652,965</u>
	<u>\$ 2,354,162</u>	<u>\$ 1,471,137</u>

Commitments (note 13)

Approved on behalf of the Board:

Member



Member



SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Revenues		
LHIN funding	\$ 777,886	\$ 866,801
Fundraising and donations	310,411	260,402
Client fees	231,962	177,907
Municipal funding	108,000	63,000
Other revenue	77,075	84,453
Grant - Seniors Active Living Centre	73,508	67,240
Internal administration fee recovery	36,870	68,088
Rental income	19,740	15,163
United Way Funding	4,000	27,383
Federal wage subsidies	-	77,163
	<u>1,639,452</u>	<u>1,707,600</u>
Expenses		
Wages and salaries	746,349	721,833
Administration wages and benefits	240,978	257,122
Program meals/food	133,787	101,541
Program supplies	73,751	42,546
Client transportation	71,935	55,962
Building occupancy	67,562	65,162
Information systems	44,280	93,109
Office	41,342	52,626
Professional fees	39,213	19,888
Administration fee	37,990	68,692
Accounting fees	24,354	23,768
Client grant expenses	19,941	27,279
One-time program expense	16,308	17,000
Insurance	9,204	8,294
Fundraising and administration	8,034	6,130
Capital expansion expenses	6,822	4,158
Contracted services	5,822	4,343
Memberships	5,314	3,198
Advertising	5,181	9,178
Staff training	4,402	2,921
Board and volunteer	3,627	4,323
Bad debts	56	84
	<u>1,606,252</u>	<u>1,589,157</u>
Excess of revenues over expenses before the undernoted items	<u>33,200</u>	<u>118,443</u>
Amortization expense	(21,080)	(27,036)
Amortization of deferred contributions related to capital assets (note 9)	<u>20,773</u>	<u>20,247</u>
	<u>(307)</u>	<u>(6,789)</u>
Excess of revenues over expenses for the year	<u>\$ 32,893</u>	<u>\$ 111,654</u>

See accompanying notes to financial statements.

SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2023

	<u>Invested in Capital Assets</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Reserve Funds</u>	<u>Total 2023</u>	<u>Total 2022</u>
Net assets at beginning of year	\$ 174,865	\$ 67,396	\$ 100,389	\$ 310,315	\$ 652,965	\$ 541,311
Excess (deficiency) of revenues over expenses for the year	<u>(307)</u>	<u>33,385</u>	<u>(185)</u>	<u>-</u>	<u>32,893</u>	<u>111,654</u>
Net assets at end of year	<u>\$ 174,558</u>	<u>\$ 100,781</u>	<u>\$ 100,204</u>	<u>\$ 310,315</u>	<u>\$ 685,858</u>	<u>\$ 652,965</u>

See accompanying notes to financial statements.

SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Cash flow from (used in) operating activities		
Excess of revenues over expenses	\$ 32,893	\$ 111,654
Items which do not involve cash		
Amortization of capital assets	21,080	27,036
Amortization of deferred contributions	<u>(20,773)</u>	<u>(20,247)</u>
	33,200	118,443
Changes in non-cash working capital:		
Accounts and sales tax receivable	54,928	79,936
Prepaid expenses	1,038	(5,333)
Accounts payable and accrued liabilities	42,022	(265,256)
Deferred revenue	<u>3,805</u>	<u>(35,663)</u>
	<u>134,993</u>	<u>(107,873)</u>
Cash flow from (used in) investing activities		
Purchase of capital assets	(203,420)	(150,635)
Proceeds from sale of investments	977,822	247,847
Investments purchased	<u>(653,094)</u>	<u>(324,728)</u>
	<u>121,308</u>	<u>(227,516)</u>
Cash flow from financing activities		
Proceeds from forgivable loan	500,000	-
Unspent contributions for capital expansion	165,445	126,213
Deferred contributions related to capital assets	<u>159,633</u>	<u>108,550</u>
	<u>825,078</u>	<u>234,763</u>
Net increase (decrease) in cash	1,081,379	(100,626)
Cash at beginning of year	<u>289,167</u>	<u>389,793</u>
Cash at end of year	<u><u>\$ 1,370,546</u></u>	<u><u>\$ 289,167</u></u>
Supplementary cash flow information:		
Previously unspent contributions for capital expansion transferred to deferred capital contributions	<u><u>\$ 43,788</u></u>	<u><u>\$ 19,495</u></u>

See accompanying notes to financial statements.

SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

1. Purpose of the Organization

Southern Frontenac Community Services Corporation is a non-profit organization receiving funding from provincial, municipal and community sources. The corporation is incorporated without share capital under the laws of Ontario and is a registered charity exempt from income tax under the Income Tax Act.

Southern Frontenac Community Services Corporation provides support and referral services through the involvement of community groups, volunteers, families, and members, enabling all residents to enjoy full and meaningful lives.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Part III of the CPA Canada Handbook - Accounting Standards for Not-for-Profit Organizations. Significant accounting policies include the following:

(a) Financial Instruments

Financial instruments are initially recognized at fair value and then subsequently at amortized cost with gains and losses recognized in the statement of operations in the period in which the gain or loss occurs.

(b) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs as well as minor capital costs are charged to expense as incurred. Betterments which extend the estimated life of an asset are capitalized as incurred. When a capital asset no longer contributes to the corporation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Building	40 years
Furnishings and equipment	5 years
Computer equipment	5 years
Signs	10 years

The costs incurred for major capital projects are classified separately as capital work-in-progress until the project is complete. Costs include all direct construction and overhead costs directly attributable to construction. When construction is complete the costs are transferred to the appropriate capital asset category and amortization begins.

SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED MARCH 31, 2023

2. Significant Accounting Policies (continued)

(c) Revenue Recognition

The corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Rental income is recognized by the corporation as groups use the facility.

Revenues from client fees are generally recognized as services are provided to clients.

Revenues from fundraising and donations that are not restricted are recognized when received.

(d) Deferred Contributions Related to Capital Assets

Contributions received for the purpose of purchasing capital assets are deferred and amortized to revenue at a rate corresponding with the amortization rate of the related capital asset.

(e) Donations in Kind

Donations in kind are recorded at fair value as they are received, provided that other revenue recognition criteria have been met.

(f) Contributed Services

The corporation relies on the services of the many volunteers who donate a considerable number of hours. Because of the difficulty in compiling these hours, contributed services are not recognized in the financial statements.

(g) Government Assistance

The corporation recognizes government assistance received, or estimated government assistance to be received, when there is reasonable assurance that the corporation has complied and will comply with all relevant conditions stipulated in the funding arrangements. Assistance related to the acquisition of buildings or equipment is recognized in a manner described in note 2(d), while assistance related to current operations are recognized in the statement of income.

(h) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Significant items subject to such estimates and assumptions included the estimated useful lives of capital assets and the balance payable to provincial funding agencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION**NOTES TO FINANCIAL STATEMENTS (continued)****YEAR ENDED MARCH 31, 2023****3. Guaranteed Investment Certificates**

The corporation has redeemed all guaranteed investment certificates as at March 31, 2023.

4. Capital Assets

	2023			2022
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 29,719	\$ -	\$ 29,719	\$ 29,719
Building	623,643	101,582	522,061	540,007
Computer equipment	82,957	65,033	17,924	23,508
Other furnishings and equipment	112,924	97,745	15,179	2,740
Signs	23,548	4,710	18,838	21,194
Capital work-in-progress	273,414	-	273,414	77,627
	<u>\$ 1,146,205</u>	<u>\$ 269,070</u>	<u>\$ 877,135</u>	<u>\$ 694,795</u>

At March 31, 2022 cost and accumulated amortization were \$942,785 and \$247,990 respectively.

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is employee source deductions payable of \$29,834 (2022 - \$26,654) and workers' compensation of \$2,118 (2022 - \$1,999).

Also included in accounts payable and accrued liabilities is \$39,710 (2022 - \$25,110) owing to Ontario Health regarding cumulative surpluses on programs funded by the agency.

6. Forgivable Loan

During the year, the corporation received proceeds of \$500,000 pursuant to a financing arrangement signed with the Corporation of the Township of South Frontenac (the "Township"). Under the terms of the arrangement, the Township will provide the corporation with financial assistance in the amount of up to \$750,000 in order to help fund the expansion of the Grace Centre. The financial assistance has been provided by the Township in the form of a non-interest bearing forgivable loan.

The loan proceeds are to be paid in three installments of \$250,000 each upon certain specified events. The term of the forgivable loan shall be ten years, and provided that the corporation complies with the terms of the arrangement through this period, the loan shall be forgiven by the Township at the expiry of this term.

At March 31, 2023, the proceeds from the arrangement are presented on the statement of financial position as a current liability. Once the project has been completed, the corporation will evaluate compliance with the terms of the agreement and will then apply its accounting policy in regards to government assistance if considered appropriate.

SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED MARCH 31, 2023

7. Unspent Contributions for Capital Expansion

Last year the corporation announced plans for the initiation of a project to expand its main operating facility in Sydenham, Ontario. The upgrade to the facility, which is expected to cost approximately \$2.5 million, will significantly expand the corporation's capacity to meet the growing needs of its clients. By March 31, 2023, approximately \$273,000 in expenditures were incurred on property development (note 4). In addition to making arrangements for a number of grants from federal and local governments, the corporation was also successful in raising funds from community sources of \$247,870 that remain unspent at year-end. As additional funds are invested in the expansion project, these funds will be reclassified as deferred contributions related to capital assets.

8. Deferred Revenue

The deferred revenue is composed of the following:

	<u>2023</u>	<u>2022</u>
New Horizons for Seniors - S.A.L.T.	\$ 7,736	\$ 3,931

9. Deferred Contributions Related to Capital Assets

Deferred contributions relate to the unamortized portion of contributions related to the acquisition of capital assets. The changes in the deferred contributions related to capital assets balance are as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 519,929	\$ 412,131
Contributions for capital assets	159,633	108,550
Transfers from deferred revenue	43,788	19,495
Amounts amortized to revenue	<u>(20,773)</u>	<u>(20,247)</u>
	<u>\$ 702,577</u>	<u>\$ 519,929</u>

10. Net Assets

	<u>2023</u>	<u>2022</u>
Internally Restricted Programs and Activities		
Bingo	\$ 10,950	\$ 4,628
Food bank	89,831	51,717
Caring Community	<u>-</u>	<u>11,051</u>
	<u>100,781</u>	<u>67,396</u>
Grace (investment in capital assets)	<u>174,558</u>	<u>174,865</u>
Unrestricted	<u>100,204</u>	<u>100,389</u>
Reserve Funds		
Facility Capital Fund	48,176	48,176
Fiscal Strength Fund	112,139	112,139
Facility Expansion Fund	<u>150,000</u>	<u>150,000</u>
	<u>310,315</u>	<u>310,315</u>
	<u>\$ 685,858</u>	<u>\$ 652,965</u>

SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED MARCH 31, 2023

11. Financial Risks

The corporation manages its exposure to the risks associated with financial statements that have potential to affect its operating and performance. It also manages its financial instruments to ensure it has adequate capital to continue to fulfil its mission. A brief description of management's assessments of these risks are as follows:

(a) Credit Risk

The corporation is subject to credit risk. Credit risk is the risk of financial loss to the Corporation of debtors or counterparties to investments fail to meet their respective contractual obligations. The maximum exposure to credit risk of the corporation at year-end is limited to the carrying amounts of these assets.

(b) Liquidity Risk

Liquidity risk is the risk that the corporation 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 the corporation not being to liquidate assets in a timely manner at a reasonable price. The corporation meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations and anticipating investing and financing activities. The corporation's exposure to liquidity risk has increased since the previous year due to the commencement of construction activities on the expansion project.

It is management's opinion that the corporation is not exposed to significant currency or market risks arising from these financial instruments.

As a result of the affect of the COVID-19 global pandemic, the corporation may continue to have increased financial risk exposure in the next fiscal year.

12. Donations in Kind

The fair value of donations in kind received during the year amounted to \$11,035 (2022 - \$3,197). These donations are not recorded in the corporation's records.

13. Commitments

(a) The corporation has committed to architectural and engineering services with an estimated cost of \$101,500 plus sales tax and disbursements in conjunction with the expansion of its building, approximately \$91,825 of which has been spent.

(b) The corporation has committed to construction services with an estimated cost of \$2,494,350 plus sales tax in conjunction with the building expansion.

SOUTHERN FRONTENAC COMMUNITY SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

YEAR ENDED MARCH 31, 2023

14. Effects of Pandemic

Since the commencement of the COVID-19 outbreak there have been significant disruptions to organizations throughout Canada and around the world, leading to a general economic slowdown.

The many pandemic protocols put in place by various national governments, provincial governments and local authorities have eased significantly over the past year, permitting the corporation to return largely (but not totally) to its pre-pandemic volumes of services and service delivery models. However, it is still not possible to reliably estimate the duration or severity of these consequences, or their impact on the financial position and results of operations for the corporation for future periods.

15. Comparative Figures

Certain comparative figures have been restated in order to conform to the financial statement presentation adopted for the current year.