CLH DEVELOPMENTAL SUPPORT SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2024

INDEX

NORTON McMULLEN
CHARTERED PROFESSIONAL ACCOUNTANTS | LLP

INDEPENDENT AUDITOR'S REPORT

To the Members and Board of Directors
CLH Developmental Support Services
MIDLAND
Ontario

Opinion
We have audited the accompanying financial statements of CLH Developmental Support Services which comprise the statement of financial position as at March 31, 2024 and the statement of operations and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2024 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 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 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.

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.

PAUL A. SIMPSON, CPA
PAUL W. McMULLEN, CPA
MARK D. POTTER, CPA
MICHAEL J. McNEILL, CPA
PETER A. SIMPSON, CPA
MARC F. CERNELE, CPA
ANTHONY G. DILIBERTO, CPA
JENNIFER A. STALEY, CPA

NORTON McMULLEN LLP
ONE VALLEYWOOD DRIVE SUITE 200 MARKHAM ONTARIO L3R 5L9 T 905-479-7001 F 905-479-0045

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 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.

Norton McMullen LLP

NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
July 29, 2024

CLH DEVELOPMENTAL SUPPORT SERVICES

STATEMENT OF FINANCIAL POSITION

As at March 31,		2024		2023
ASSETS				
Current				
Cash	$	**7,260**	$	713,665
Cash - restricted (Note 2)		**158,586**		150,461
Short term investment		**316,267**		292,160
Accounts receivable		**774,587**		374,714
Prepaid expenses		**147,036**		158,596
Due from CLH Foundation		**63,005**		20,000
	$	**1,466,741**	$	1,709,596
Capital Assets (Note 3)		**6,762,012**		6,616,285
	$	**8,228,753**	$	8,325,881
LIABILITIES				
Current				
Line of credit (Note 4)	$	**215,000**	$	-
Accounts payable and accrued liabilities		**1,508,172**		1,515,906
Government remittances payable		**95,286**		98,644
Deferred revenue and subsidies		**486,518**		426,760
Current portion of long-term debt (Note 5)		**107,250**		106,973
	$	**2,412,226**	$	2,148,283
Long-Term Debt (Note 5)		**176,519**		284,036
Deferred Capital Contributions (Note 6)		**2,186,825**		1,673,914
	$	**4,775,570**	$	4,106,233
NET ASSETS		**3,453,183**		4,219,648
	$	**8,228,753**	$	8,325,881

Commitments (Note 9)
Subsequent Events (Note 10)

Approved by the Board:

____________________ Director ____________________ Director

See accompanying notes

CLH DEVELOPMENTAL SUPPORT SERVICES

STATEMENT OF OPERATIONS

For the year ended March 31,	2024	2023
REVENUES		
Operating grants - Province of Ontario	**$ 17,717,324**	$ 17,532,231
Operating grants - County of Simcoe	**5,912,343**	5,545,538
Rental income	**1,432,680**	1,335,155
Contribution from other organizations	**440,209**	172,856
Contribution from CLH Foundation (Note 7)	**196,766**	200,000
Amortization of deferred capital contributions (Note 6)	**120,732**	63,775
Interest income	**53,803**	50,465
	$ 25,873,857	$ 24,900,020
EXPENSES		
Salaries	**$ 17,357,842**	$ 16,310,734
Benefits	**3,806,364**	3,537,295
Purchased services	**2,720,860**	2,477,323
Rent (Note 7)	**542,827**	474,962
Utilities, property taxes and insurance	**538,411**	543,780
Materials and supplies	**537,463**	448,503
Amortization	**517,661**	480,829
Repair, maintenance and replacements	**408,896**	454,376
Transportation and vehicle	**352,658**	312,928
Food	**297,280**	250,077
Travel	**172,827**	117,097
Training	**157,531**	121,699
Personal needs	**107,671**	103,440
Sundry	**29,963**	48,040
Health & wellness committee	**22,814**	52,111
Mortgage interest	**15,073**	18,210
COVID-19 related expenses	**-**	30,927
	$ 27,586,141	$ 25,782,331
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:	**$ (1,712,284)**	$ (882,311)
Other		
Expense recoveries	**899,537**	621,220
Unrealized gain (loss) on investments	**24,107**	(9,378)
Gain on disposal of capital assets	**22,175**	-
	$ 945,819	$ 611,842
DEFICIENCY OF REVENUES OVER EXPENSES	**$ (766,465)**	$ (270,469)
NET ASSETS - Beginning	**4,219,648**	4,490,117
NET ASSETS - Ending	**$ 3,453,183**	$ 4,219,648

See accompanying notes

CLH DEVELOPMENTAL SUPPORT SERVICES

STATEMENT OF CASH FLOWS

For the year ended March 31,	2024	2023
CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	$ (766,465)	$ (270,469)
Items not affecting cash:		
Amortization of capital assets	517,661	480,829
Gain on disposal of capital assets	(22,175)	-
Unrealized (gain) loss on investments	(24,107)	9,378
Amortization of deferred capital contributions	(120,732)	(63,775)
	$ (415,818)	$ 155,963
Net change in non-cash working capital balances:		
Accounts receivable	(399,873)	(148,122)
Prepaid expenses	11,560	38,909
Accounts payable and accrued liabilities	(7,734)	512,315
Government remittances payable	(3,358)	(87,503)
Deferred revenue and subsidies	693,401	(108,419)
	$ (121,822)	$ 363,143
INVESTING ACTIVITIES		
Purchase of capital assets	$ (663,388)	$ (444,526)
Proceeds on disposal of capital assets	22,175	-
	$ (641,213)	$ (444,526)
FINANCING ACTIVITIES		
Proceeds from line of credit	$ 215,000	$ -
Repayment of long-term debt	(107,240)	(125,670)
Advance (repayment) from CLH Foundation	(43,005)	10,000
	$ 64,755	$ (115,670)
DECREASE IN CASH	$ (698,280)	$ (197,053)
CASH - Beginning	864,126	1,061,179
CASH - Ending	$ 165,846	$ 864,126
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash is allocated as follows:		
Cash - unrestricted	$ 7,260	$ 713,665
Cash - restricted (Note 2)	158,586	150,461
	$ 165,846	$ 864,126

See accompanying notes

NATURE OF OPERATIONS

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

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

1. **SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) **Use of Estimates**

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

These estimates are reviewed periodically and adjustments are made to the deficiency of revenues over expenses as appropriate in the year they become known.

Items subject to significant management estimates include the estimated useful life of capital assets.

b) **Capital Assets**

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

	Rate
Buildings	2.5%
Equipment	10%
Computer Equipment	20%
Vehicles	15%
Paving	4%
Leasehold improvements	20%

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

c) **Impairment of Capital Assets**

When a tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the value of future economic benefits or service potential associated with the tangible capital asset is less than its carrying amount, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost.

d) **Deferred Capital Contributions**

Deferred capital contributions represent restricted contributions relating to the purchase of capital assets and are recognized in revenue on the same basis as the amortization of the corresponding capital asset.

e) **Revenue Recognition**

The Organization follows the deferral method of accounting for contributions which include grants and donations. Under this method, unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to future periods are deferred and recognized as revenue in the year in which the related expenses are incurred.

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

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

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

f) **Cash and Cash Equivalents**

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

g) **Contributed Goods and Services**

Volunteers contribute significant hours per year to assist the Organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

h) **Financial Instruments**

Measurement of Financial Instruments
The Organization initially measures its financial assets and liabilities originating or exchanged in arm's length transactions at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. The initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Changes in fair value are recognized in the deficiency of revenues over expenses.

Financial assets subsequently measured at amortized cost include cash, accounts receivable and due from CLH Foundation. Financial liabilities subsequently measured at amortized cost include line of credit, accounts payable and accrued liabilities, and long term debt.

Other than equity instruments traded in an active market, the Organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Impairment
Financial assets measured at cost or amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the deficiency of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

2. **CASH - RESTRICTED**

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

	2024	2023
Balance - Beginning	$ **150,461**	$ 139,788
Annual contribution by Province of Ontario	**6,663**	6,663
Ministry-approved transfer to operating account	**(6,296)**	-
Interest earned	**7,758**	4,010
Balance - Ending	$ **158,586**	$ 150,461

3. **CAPITAL ASSETS**

Capital assets consist of the following:

	2024			2023
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	$ **798,028**	$ **-**	$ **798,028**	$ 798,028
Buildings	**9,680,908**	**4,429,794**	**5,251,114**	4,995,195
Equipment	**5,088,708**	**4,718,901**	**369,807**	499,945
Vehicles	**621,650**	**563,562**	**58,088**	136,442
Paving	**43,996**	**43,996**	**-**	1,092
Leasehold improvements	**878,424**	**593,449**	**284,975**	185,583
	$ 17,111,714	**$ 10,349,702**	**$ 6,762,012**	$ 6,616,285

Included in land and buildings above are two residential properties, 239 Jeanne Street, Midland and 816 Ottawa Street, Midland, with a combined net book value of $409,425 (2023 - $422,796) that were assumed by CLH in prior years from another organization. Although the Organization has title to these properties, the other organization retains the right to reacquire them should CLH decide, with Ministry approval, to sell them. This first right of refusal can be exercised at amounts ranging from $1 - $10. However, due to the large amount of capital and maintenance costs incurred by the Organization and the Ministry over the years, it is unclear whether the option would ever be exercised.

4. **CREDIT FACILITIES**

The Organization maintains an unsecured operating line of credit in the amount of $500,000. Interest is charged at the bank's prime rate of lending plus 0.75%. The operating line of credit balance outstanding on March 31, 2024 is $215,000 (2023 - $Nil).

The Organization signed an agreement with the Toronto-Dominion bank on December 8, 2009 for a committed revolving facility. This agreement can be utilized in the form of fixed rate term loans and/or floating rate term loans for the purpose of buying out leases on existing vehicles and for further vehicle purchases. The limit of this committed revolving facility is $150,000. This credit facility was unused at March 31, 2024.

5. **LONG-TERM DEBT**

Long-term debt consists of the following:

		2024		2023
TD Canada Trust loan bearing interest at 6.15% per annum, repayable in monthly blended payments of $5,169. The loan matures on June 29, 2025. Secured by properties including equipment with a net book value of $1,648,558, and a general security agreement.	**$**	**164,961**	$	215,256
Scotia Mortgage Corporation loan bearing interest at 1.718% per annum, repayable in monthly blended payments of $3,369. The loan matures on August 1, 2026. Secured by properties with a net book value of $609,206.		**92,415**		130,906
Peoples Trust loan bearing interest at 4.05% per annum, calculated semi-annually, repayable in monthly blended payments of $1,304. The loan matures on December 1, 2025. Secured by properties with a net book value of $180,754.		**26,393**		40,664
RBC Royal Bank loan bearing interest at 2.99% per annum, repayable in monthly blended payments of $843. The loan matured on August 1, 2023.		**-**		4,183
	$	**283,769**	$	391,009
Less: Current portion		**107,250**		106,973
	$	**176,519**	$	284,036

Principal repayment requirements are as follows:

2025	**$**	**107,250**
2026		**162,363**
2027		**14,156**
	$	**283,769**

Excluding the TD Canada Trust loan, mortgages were arranged by the Ministry of Municipal Affairs and Housing and are secured by residential properties purchased with Ministry of Housing funding. Payments are funded by MCCSS - Dedicated Supportive Housing.

6. **DEFERRED CAPITAL CONTRIBUTIONS**

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

	2024	2023
Balance - Beginning	**$ 1,673,914**	$ 1,293,163
Add: Restricted capital asset contributions received	**633,643**	444526
Less: Amortization of deferred capital contributions	**(120,732)**	(63,775)
Balance - Ending	**$ 2,186,825**	$ 1,673,914

7. **ECONOMIC INTEREST**

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

The Foundation contributed $196,766 (2023 - $200,000) to the Organization during the year which has been recognized as revenue on the Statement of Operations. The Foundation also contributed $19,954 (2023 - $115,500) which has been recognized as deferred capital contributions on the Statement of Financial Position because it was spent on capital assets.

The Organization has agreed to lease the land and building at 283 King Street, Midland from the Foundation for $3,000 per month. The lease agreement expires April 2028. Rent payments to the Foundation during the year were $36,000 (2023 - $36,000).

8. **ECONOMIC DEPENDENCE**

The operations of the Organization are funded primarily through grants provided directly by MCCSS. During the current year, these grants were 61% of total revenues (2023 - 62%).

9. **COMMITMENTS**

The Organization leases office space at a number of different locations with expiry dates up to June 2029. Future minimum annual rental payments (excluding property taxes, maintenance, and insurance) for each of the next five years and thereafter are as follows:

2025	$ **303,389**
2026	**285,357**
2027	**265,299**
2028	**166,277**
2029	**106,526**
Thereafter	**11,507**
	$ 1,138,355

10. **SUBSEQUENT EVENTS**

In June 2024, the Organization notified staff and funder of its intention to discontinue two programs as they are no longer anticipated to be financially viable. These two programs total to approximately $1,600,000 of revenues and expenditures within the Statement of Operations.

11. **FINANCIAL INSTRUMENTS**

Risks and Concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at March 31, 2024:

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party. The Organization does not directly hold any collateral as security for financial obligations. Credit risk at the Organization is limited as rents are generally collectible as tenants are supported, and revenue is assured as the majority of amounts are from government agencies with contracts negotiated in advance. The Organization manages its credit risk by investing in marketable securities. There has been no change in the assessment of credit risk from the prior year.

11. **FINANCIAL INSTRUMENTS** - Continued

b) **Liquidity Risk**

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly with respect to its line of credit, accounts payable and accrued liabilities, and long-term debt. The Organization manages this risk by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and financing activities and holding assets that can be readily converted into cash. The Organization has a short term unsecured bank financing facility in place should it be required to meet temporary fluctuations in cash requirements. There has been an increase in the assessment of liquidity risk from the prior year due to the line of credit.

c) **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The Organization is exposed to interest rate risk as follows:

i) **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. As described in Notes 4 and 5, the Organization is exposed to interest rate risk with respect to its credit facility and long-term debt. The exposure to this risk fluctuates as the debt and related interest rates change from year to year. The Organization manages its exposure to the interest rate risk of its long term debt by negotiating terms of at least 5 years in duration, thereby minimizing the short term fluctuations in interest rates and stabilizing cash flow requirements. The majority of long term debt is negotiated by the Ministry of Municipal Affairs and Housing, in consultation with the Organization.

12. **COMPARATIVE FIGURES**

Certain of the comparative figures have been restated in order to conform with the presentation adopted in the current year.