

Renascent Fellowship

Financial Statements

March 31, 2018



Independent Auditor's Report

To the Board of Directors of

Renasant Fellowship

Report on the financial statements

We have audited the accompanying financial statements of **Renasant Fellowship**, which comprise the statement of financial position as at **March 31, 2018** and the statements of operations, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Renascent Fellowship

Independent Auditor's Report

Page 2

Opinion

In our opinion, these financial statements present fairly, in all material respects the financial position of the **Renascent Fellowship** as at **March 31, 2018** 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.

Clarkson Rouble LLP

**Mississauga, Ontario
June 21, 2018**

**Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants**



Renasant Fellowship

Statement of Financial Position As at March 31

	2018	2017
Assets		
Current		
Cash	\$ 243,343	\$ -
Sales taxes and other receivables	66,762	49,435
Prepaid expenses	13,754	10,505
Due from Renasant Foundation Inc. (Note 2)	23,537	72,662
	<u>347,396</u>	<u>132,602</u>
Capital assets (Note 3)	18,266	22,347
	<u>\$ 365,662</u>	<u>\$ 154,949</u>

Liabilities

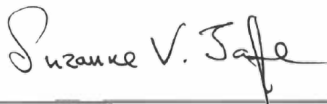
Current		
Bank indebtedness (Note 4)	\$ -	\$ 63,397
Accounts payable and accrued liabilities (Note 5)	401,595	290,681
Deferred government grants revenue (Note 6)	163,196	-
	<u>564,791</u>	<u>354,078</u>

Fund balances

Invested in Capital Assets	18,266	22,347
Unrestricted Operating	(217,395)	(221,476)
	<u>(199,129)</u>	<u>(199,129)</u>
	<u>\$ 365,662</u>	<u>\$ 154,949</u>

See accompanying notes to financial statements

On behalf of the Board:



Director



Director

Renasant Fellowship

Statement of Operations Year Ended March 31

	2018	2017
Revenue		
Toronto Central LHIN - operations	\$ 2,591,384	\$ 2,579,723
- one-time	-	99,000
Grants from Renasant Foundation (Note 10)		
- annual operations	1,188,172	946,663
Ministry of Health and Long-Term Care (Note 6)	258,304	-
Service provision fee (Note 8)	1,345,354	1,201,058
	<u>5,383,214</u>	<u>4,826,444</u>
Expenses		
Wages and benefits	3,286,895	2,895,405
Rent (Note 8)	642,959	642,959
Food	269,094	243,166
Repairs and maintenance	369,359	460,980
One-time repairs and development	258,304	-
Program materials	28,010	35,898
Bank charges	5,508	9,517
Utilities	135,005	149,874
Laundry and household	56,891	50,918
Transportation	68,446	72,687
Professional fees	57,606	81,080
Stationery, postage and printing	23,599	21,863
Honoraria	3,462	3,269
Telephone	25,241	26,859
Insurance	65,178	61,017
Miscellaneous	26,202	22,091
Alumni affairs	13,183	5,506
Education	44,191	38,361
Amortization	4,081	4,994
	<u>5,383,214</u>	<u>4,826,444</u>
Excess of expenses over revenue for the year	\$ -	\$ -

See accompanying notes to financial statements

Renascent Fellowship

Statement of Changes in Fund Balances Year Ended March 31

	Invested in Capital Assets	Unrestricted Operating	2018 Total	2017 Total
Balance, beginning of year	\$ 22,347	\$ (221,476)	\$ (199,129)	\$ (199,129)
Excess of (expenses over revenue) revenue over expenses	(4,081)	4,081	-	-
Balance, end of year	<u>\$ 18,266</u>	<u>\$ (217,395)</u>	<u>\$ (199,129)</u>	<u>\$ (199,129)</u>

See accompanying notes to financial statements

Renasant Fellowship

Statement of Cash Flows

Year Ended March 31

	2018	2017
Operating activities		
Excess of revenue over expenses for the year	\$ -	\$ -
Items not requiring an outlay of cash		
Amortization of capital assets	4,081	4,994
	<u>4,081</u>	<u>4,994</u>
Cash generated from (used for)		
Operating working capital		
Sales taxes and other receivables	(17,327)	(19,976)
Prepaid expenses and sundry assets	(3,249)	(534)
Accounts payable and accrued liabilities	110,916	37,527
	<u>94,421</u>	<u>22,011</u>
Increase from operating activities	94,421	22,011
Financing activities		
Deferred government grants revenue	163,196	-
Due to Renasant Foundation Inc.	49,125	(63,742)
	<u>212,321</u>	<u>(63,742)</u>
Increase (decrease) from financing activities	212,321	(63,742)
Increase (decrease) in cash	306,742	(41,731)
Bank indebtedness, beginning of year	(63,397)	(21,666)
Cash (Bank indebtedness), end of year	\$ 243,345	\$ (63,397)

See accompanying notes to financial statements

Renascent Fellowship

Notes to Financial Statements

March 31, 2018

Renascent Fellowship ("Fellowship") was incorporated on March 31, 1970 under the Ontario Corporations Act and operates centres for the treatment of alcoholism and drug addiction.

1. Significant accounting policies

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include only the assets, liabilities, revenues and expenses relating to the organization operated as Renascent Fellowship. They have been prepared using the restricted fund method of reporting restricted contributions. The financial statements do not include any amounts relating to Renascent Foundation Inc. (the "Foundation") which provides significant funding to the Fellowship. Separate financial statements have been prepared for the Foundation.

a) Capital assets

Capital assets are recorded at cost. The Fellowship amortizes its capital assets over their estimated future lives on the following annual basis:

Furniture and equipment	20% declining-balance
Computer equipment and software	30% declining-balance

b) Measurement uncertainty

The preparation of the Fellowship's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accounts receivable, certain accrued liabilities and the estimated useful lives of capital assets. Actual results could differ from those estimates.

c) Revenue recognition

The organization follows the deferral method of accounting for contributions. 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 are recognized as revenue in the year in which the related expenses are incurred.

Renascent Fellowship

Notes to Financial Statements

March 31, 2018

1. Summary of significant accounting policies (continued)

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with financial institutions.

e) Funds

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Fellowship, the accounts of the Fellowship are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. For financial reporting purposes the accounts have been classified into the following funds:

i) Externally restricted or other restricted funds

This fund has been restricted by the donors and reflects the various grants received for a specific purpose.

ii) Unrestricted

Reflecting the various activities associated with the Fellowship's day-to-day operations.

iii) Invested in capital assets

Includes the capital assets of the Fellowship. Some other funds are externally restricted and are classified as such.

f) Financial instruments

Financial instruments

The Fellowship initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Renasant Fellowship

Notes to Financial Statements

March 31, 2018

1. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Financial liabilities measured at amortized cost includes the bank overdraft, accounts payable and accrued liabilities.

The Fellowship has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Transaction costs

The Fellowship recognizes its transaction costs in net income in the period incurred except for financial instruments that will not be subsequently measured at fair value. The carrying amounts of these instruments are adjusted by the transaction costs that are directly attributable to their issuance.

For secured lines of credit annual transaction costs are treated as prepaid expenses and amortized over one year period. Non-recurring costs to initiate a line of credit are expensed as incurred.

g) Contributed material and services

Certain materials and services are provided at no cost to the Fellowship. The amount is not recognized in the financial statements. Volunteer hours that are donated have not been recorded by the Fellowship.

2. Due to/from Renasant Foundation Inc.

The amount due from the Foundation is non-interest bearing, with no fixed terms of repayment.

3. Capital assets

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 69,373	\$ 60,165	\$ 9,208	\$ 11,265
Computer equipment and software	23,047	13,989	9,058	11,082
	<u>\$ 92,420</u>	<u>\$ 74,154</u>	<u>\$ 18,266</u>	<u>\$ 22,347</u>

Renascent Fellowship

Notes to Financial Statements

March 31, 2018

4. Bank Indebtedness

The Fellowship has a revolving demand facility of \$300,000 and credit on Visa of \$25,000 secured by a General Security Agreement covering all assets of the Fellowship and a guarantee and postponement of claim in the amount of \$325,000 signed by Renascent Foundation. The facility bears interest at prime plus 1% per annum. As at March 31, 2018, the outstanding balance related to the facility was \$Nil (2017 - \$50,000).

5. Accounts payable and accrued liabilities

The accounts payable and accrued liabilities includes an accrual for vacation pay in the amount of \$72,091 (2017 - \$66,641).

6. Deferred government grants revenue

Deferred government grant represents funds received from the Ministry of Health and Long-Term Care for specific projects, which extend beyond the current fiscal year.

	2018	2017
Balance, beginning of year	\$ -	\$ -
Funds received during the year	421,500	-
Amounts recorded as revenue in the year	(258,304)	-
Balance, end of year	\$ 163,196	\$ -

7. Lease Commitments

The Fellowship's commitments for equipment rental until expiry of the leases are as follows.

2019	28,708
2020	28,708
2021	21,531
	\$ 78,947

Renascent Fellowship

Notes to Financial Statements

March 31, 2018

8. Service provision fee revenue and rent expense

The Fellowship receives service provision fee revenue from the Foundation for providing services to the Foundation's fee-for-service clients. The Fellowship pays rent expense at estimated market rates to the Foundation for the use of three facilities to execute its programs.

9. Income taxes

Under the Income Tax Act (Canada), the Fellowship is classified as a registered charity and, as such, is not subject to income tax.

10. Economic dependence

The Fellowship has an agreement with the Local Health Integration Network (LHIN) to provide services until March 31, 2019. During the year, the LHIN provided 48% (2017 - 56%) of the organization's revenue. The Fellowship is dependent upon Renascent Foundation Inc. for the remaining balance of its revenue being the Grants from Renascent Foundation.

11. Guarantees

The Fellowship has provided a guarantee and postponement of claim in the amount of \$700,000 for the operating facilities of Renascent Foundation.

Indemnity has been provided to all directors and officers of the Fellowship for various items including, but not limited to, all costs to settle suits or actions due to their involvement with the Fellowship, subject to certain restrictions. The Fellowship has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The maximum amount of any potential future payment cannot be reasonably determined.

12. Financial instruments risk exposure

The Fellowship is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position date.

Renascent Fellowship

Notes to Financial Statements

March 31, 2018

12. Financial instruments risk exposure (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fellowship's main credit risks relate to accounts receivable, however the risk is limited due to the nature of its accounts receivable. Contributions are not recorded in receivables unless collection is reasonably assured. The Fellowship has not had issues with these collections over the past several years. The allowance for doubtful accounts is \$Nil (2017 - \$Nil).

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The Fellowship is exposed to this risk mainly in respect of its accounts payable. The organization expects to meet these obligations as they come due through sufficient cash flow from operations. The Fellowship has not had issues with meeting obligations in the past several years. There has been no change in the risk assessment from the prior year.

Market risk

Market risk is the risk that the fair value of 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 other price risk. The Fellowship is not exposed to market risk.