

**Renascent Foundation Inc.**

**Financial Statements**

**March 31, 2019**



**Clarkson Rouble LLP**  
Chartered Professional Accountants

## **Independent Auditor's Report**

To the Members of

**Renascent Foundation Inc.**

### **Qualified Opinion**

We have audited the financial statements of **Renascent Foundation Inc.** (the Organization), which comprise the statement of financial position as at **March 31, 2019** and **2018**, the statements of Revenue and Expenses, Changes in fund balances 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 the Organization as at March 31, 2019 and 2018, and its financial performance 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 not-for-profit organizations, the Organization derives revenue from donations, 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 organization. Therefore, we were not able to determine whether any adjustments might be necessary to the donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and fund balances as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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 Organization 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 Organization'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 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.

# **Renascent Foundation Inc.**

## **Independent Auditor's Report**

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#### **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 Organization'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 Organization'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 Organization 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.

*Clarkson Rouble LLP*

**Mississauga, Ontario  
June 20, 2019**

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



# **Renascent Foundation Inc.**

## **Statement of Financial Position As at March 31**

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 152,694	\$ 302,432
Short term investment	1,055,868	1,041,313
Deposits and prepaid expenses	15,403	9,736
Accounts receivable	124,440	241,094
HST receivable	24,148	12,727
	1,372,553	1,607,302
<b>Capital assets (Note 2)</b>	5,600,206	5,939,396
	<b>\$ 6,972,759</b>	<b>\$ 7,546,698</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 118,920	\$ 216,278
Current portion of long-term debt (Note 5)	143,550	217,420
Payable to Renascent Fellowship (Note 6)	54,887	23,536
Deferred revenue (Note 4)	175,752	255,745
	493,109	712,979
<b>Long-term debt (Note 5)</b>	1,933,328	2,076,975
	2,426,437	2,789,954
<b>Fund Balances</b>		
<b>Restricted Funds</b>		
Replacements Funds	65,492	65,492
Endowments	228,670	228,670
Complete Care Bursary	1,579	201,454
	295,741	495,616
<b>Unrestricted Funds</b>		
Invested in Capital Assets	3,822,394	4,016,104
Unrestricted	428,187	245,024
	4,250,581	4,261,128
	4,546,322	4,756,744
	<b>\$ 6,972,759</b>	<b>\$ 7,546,698</b>

*See accompanying notes to financial statements*

**On behalf of the Board:**

	Director		Director
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# **Renascent Foundation Inc.**

## **Statement of Revenue and Expenses**

**Year Ended March 31**

	<b>2019</b>			<b>2018</b>
	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total</b>	<b>Total</b>
<b>Revenue</b>				
Donations	\$ 195,945	\$ 546,891	\$ 742,836	\$ 746,962
Fees for service	-	3,073,916	3,073,916	3,182,064
Essential Family Care	-	178,705	178,705	206,934
Special events	-	251,441	251,441	285,966
Rental income (Note 7)	-	642,959	642,959	642,959
Miscellaneous	-	25,612	25,612	19,703
	<b>195,945</b>	<b>4,719,524</b>	<b>4,915,469</b>	<b>5,084,588</b>
<b>Expenses</b>				
Grant to Renascent Fellowship				
- annual operations (Note 7)	395,820	934,564	1,330,384	1,188,173
Treatment centres (Note 7)	-	2,393,420	2,393,420	2,064,062
Special events	-	205,978	205,978	162,067
Annual giving	-	248,967	248,967	404,144
Governance and administration	-	452,780	452,780	383,241
Interest on long term debt	-	83,135	83,135	87,309
Amortization	-	411,227	411,227	392,962
Loss on disposal of capital assets	-	-	-	14,696
	<b>395,820</b>	<b>4,730,071</b>	<b>5,125,891</b>	<b>4,696,654</b>
<b>(Deficiency) excess of</b>				
<b>revenue over expenses</b>	<b>\$ (199,875)</b>	<b>\$ (10,547)</b>	<b>\$ (210,422)</b>	<b>\$ 387,934</b>

*See accompanying notes to financial statements*

# **Renascent Foundation Inc.**

## **Statement of Changes in Fund Balances Year Ended March 31**

	2019				2018	
	<u>Restricted Funds</u>					
	<u>Replacement Fund</u>	<u>Endowments</u>	<u>Complete Care Bursary</u>	<u>Invested in Capital Fund</u>	<u>Unrestricted</u>	<u>Total</u>
Balances, beginning of year	\$ 65,492	\$ 228,670	\$ 201,454	\$ 4,016,104	\$ 245,024	\$ 4,756,744
Excess of revenue over expense (expenses over revenue)	-	-	(199,875)	(411,227)	400,680	(210,422)
Long-term debt repayment	-	-	-	217,517	(217,517)	-
<b>Balances, end of year</b>	<b>\$ 65,492</b>	<b>\$ 228,670</b>	<b>\$ 1,579</b>	<b>\$ 3,822,394</b>	<b>\$ 428,187</b>	<b>\$ 4,546,322</b>
						<b>\$ 4,756,744</b>

*See accompanying notes to financial statements*

# **Renascent Foundation Inc.**

## **Statement of Cash Flows**

**Year Ended March 31**

	<b>2019</b>	<b>2018</b>
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenses	\$ (210,422)	\$ 387,934
Items not requiring an outlay of cash		
Amortization of capital assets	411,227	399,957
Loss on disposal of capital assets	-	14,696
	<u>200,805</u>	<u>802,587</u>
Cash generated from (used for)		
Operating working capital		
Deposits and prepaid expenses	(5,667)	15,683
Accounts receivable	116,654	(73,382)
HST receivable	(11,421)	12,276
Accounts payable and accrued expenses	(97,358)	(44,170)
Deferred revenue	(79,993)	112,945
	<u>123,020</u>	<u>825,939</u>
<b>Increase from operating activities</b>	<b>123,020</b>	<b>825,939</b>
<b>Investing activity</b>		
Net purchase of capital assets	(72,037)	(84,535)
<b>Financing activities</b>		
Repayment of long-term debt	(217,517)	(206,605)
Payable from Renascent Fellowship	31,351	(49,126)
	<u>(186,166)</u>	<u>(255,731)</u>
<b>(Decrease) increase in cash</b>	<b>(135,183)</b>	<b>485,673</b>
<b>Cash, beginning of year</b>	<b>1,343,745</b>	<b>858,072</b>
<b>Cash, end of year</b>	<b>\$ 1,208,562</b>	<b>\$ 1,343,745</b>
<b>Cash is represented by:</b>		
Cash	\$ 152,694	\$ 302,432
Short term investments	1,055,868	1,041,313
	<u>\$ 1,208,562</u>	<u>\$ 1,343,745</u>

*See accompanying notes to financial statements*



# **Renascent Foundation Inc.**

## **Notes to Financial Statements**

**March 31, 2019**

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Renascent Foundation Inc. (the "Foundation") was incorporated on November 28, 1983 under the Ontario Corporations Act and funds special projects related to the alcohol and drug treatment programs. Funds are raised through certain fund raising and other revenue generating activities.

### **1. Summary of significant accounting policies**

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations.

#### **a) Cash**

Cash consists of cash on hand and balances with banks. Cash and cash equivalents held in investment portfolio accounts have been included with investments as the purpose of this cash is for investment rather than meeting short term cash commitments.

#### **b) Fund accounting**

The Foundation follows the restricted fund method of accounting for restricted contributions. 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. Externally restricted funds have been restricted by the donors and reflect the various grants received for a specific purpose. These include Replacements Fund, Complete Care Bursary, and Endowments. The internally restricted fund Designated for Capital Purposes reports resources that have been allocated for capital purposes by the Board of Directors.

#### **c) Revenue recognition**

Fees for service revenue is recorded following the deferral method of accounting and is recognized at the time the service is provided and the related expenses are incurred.

Unrestricted grants and donation revenue received pertaining to specific projects are recognized as revenue as the related project expenditures are incurred.

Restricted grants and donations are recognized as revenue of the related restricted fund in the year in which they are received.



# **Renascent Foundation Inc.**

## **Notes to Financial Statements**

**March 31, 2019**

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### **1. Summary of significant accounting policies (continued)**

#### **d) Financial instruments**

##### *Financial instruments*

The Foundation initially measures its financial assets and liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for short term investments, 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.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include short term investments. The portion of short term investments in equity instruments that are quoted in an active market are measured at fair value. The Foundation has elected to carry mutual funds and other securities held in the investment portfolio at fair value.

The Foundation does not have any financial liabilities measured at fair value and has not elected to recognize any financial liabilities at fair value.

##### *Transaction costs*

The Foundation 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.

#### **e) Capital assets**

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

Building	- 5% straight-line
Furniture and equipment	- 20% declining-balance
Leasehold improvements	- 20% straight-line
Major renovations	- 10% straight-line
Computer software	- 30% declining-balance

# **Renascent Foundation Inc.**

## **Notes to Financial Statements**

**March 31, 2019**

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### **1. Summary of significant accounting policies (continued)**

#### **f) Impairment of long-lived assets**

A long lived asset is tested for impairment whenever events or changes in circumstances indicated that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. There were no indicators of impairment in the current or prior year.

#### **g) Measurement uncertainty**

The preparation of the Foundation's financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which 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. Actual results could differ from those estimates. Estimated life of capital assets, valuation of accounts receivable, accrued liabilities are the most significant items that involve use of estimates.

#### **h) Contributed Materials and Services**

Certain materials and services are provided at no cost to the Foundation. The value of such materials and services that would otherwise have been purchased during the year is estimated to be \$6,299 (2018 - \$18,631). This amount is not recognized in the financial statements. Volunteer hours that are donated have not been recorded by the Foundation.

#### **i) Allocation of expenses**

The Foundation engages in various programs as noted on the Statement of Revenue and Expenses. The costs of these include the costs of personnel and other expenses that are directly related to providing the programs. The Foundation also incurs payroll expenses that are common to the administration of the organization and each of its programs.

The Foundation allocates certain of its payroll expenses on the basis of estimated time spent on each function. This basis is applied consistently each year.

## **Renascent Foundation Inc.**

### **Notes to Financial Statements**

**March 31, 2019**

#### **2. Capital assets**

	<b>2019</b>		<b>2018</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land	\$ 2,407,175	\$ -	\$ 2,407,175	\$ 2,407,175
Buildings	7,254,350	4,298,482	2,955,868	3,318,586
Furniture and equipment	890,722	664,080	226,642	212,885
Major renovations	9,968	-	9,968	-
Computer software	76,433	75,880	553	750
	<b>\$10,638,648</b>	<b>\$ 5,038,442</b>	<b>\$ 5,600,206</b>	<b>\$ 5,939,396</b>

#### **3. Bank Indebtedness**

The Foundation has a revolving demand facility of \$50,000, and credit on Visa of \$50,000, secured by a General Security Agreement covering all assets other than real property of the Foundation, a first collateral mortgage in the amount of \$2,315,000 covering property located at 356 Dundas Street West, Toronto, Ontario, and a guarantee and postponement of claim in the amount of \$700,000 signed by Renascent Fellowship. The facility bears interest at prime plus 1% per annum. As at March 31, 2019 the outstanding balance related to the facility was \$Nil (2018 - \$Nil).

#### **4. Deferred revenue**

Deferred revenue consists mainly of fees for service revenue received that relates to April of the subsequent year. The balance of the deferred consists of donations received prior to year end that related to either the Foundation's annual campaign or recovery shot golf tournament which take place subsequent to year end.

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 252,745	\$ 142,800
Additions during the year	175,752	252,745
Recognized as income	(252,745)	(142,800)
Balance, end of year	<b>\$ 175,752</b>	<b>\$ 252,745</b>

# Renascent Foundation Inc.

## Notes to Financial Statements

March 31, 2019

### 5. Long-term debt

	2019	2018
Mortgage payable bearing interest at 3.22% per annum, repayable in monthly instalments of principal and interest of \$7,671, due May 1, 2019, secured by the property with a net book value of \$1,824,077 (2018 - \$1,951,299).	\$ 15,132	\$ 105,132
Mortgage payable bearing interest at 3.52% per annum, repayable in monthly instalments of principal and interest of \$2,905, due September 28, 2021, Mortgage is secured by the property with a net book value of \$906,871 (2018 - \$983,918).	454,969	473,449
Mortgage payable bearing interest at 4.19% per annum, repayable in monthly instalments of principal and interest of \$8,225, due May 5, 2020, secured by the property with a net book value of \$1,673,200 (2018 - \$1,746,171).	939,049	998,077
Term loan bearing interest at 4.19% per annum, repayable in monthly instalments of principal and interest of \$6,321, due March 30, 2021, secured by the property with a net book value of \$1,824,077	667,728	717,737
	2,076,878	2,294,395
Less: current portion	143,550	217,420
	<b>\$ 1,933,328</b>	<b>\$ 2,076,975</b>

Scheduled debt repayments to the maturity dates are as follows:

2020	\$ 143,550
2021	1,517,344
2022	415,984
	<b>\$ 2,076,878</b>

# **Renascent Foundation Inc.**

## **Notes to Financial Statements**

**March 31, 2019**

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### **6. Renascent Fellowship Receivable / Payable**

The amount advanced to/from Renascent Fellowship is non-interest bearing, with no fixed terms of repayment. Renascent Fellowship operates centres for the treatment of alcoholism and drug addiction. Renascent Foundation Inc. provides significant funding to the Fellowship.

### **7. Transactions with Renascent Fellowship**

As indicated in these financial statements, the Foundation provided grants to Renascent Fellowship totaling \$1,316,925 (2018 - \$1,188,172) and earned rental income at estimated market rates of \$642,959 (2018 - \$642,959) from Renascent Fellowship. In addition, included under treatment centres expense is a service provision fee cost of \$1,809,468 (2018 - \$1,345,354) for services rendered by Renascent Fellowship to the Foundation's fee-for-service clients.

### **8. Income Tax Status**

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

### **9. Guarantees**

The Foundation has provided security for the operating facilities for Renascent Fellowship through a guarantee and postponement of claim in the amount of \$275,000.

Indemnity has been provided to all directors and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to their involvement with the Foundation, subject to certain restrictions. The Foundation 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.

### **10. Comparative amounts**

Certain of the prior year comparative amounts have been re-classified to conform to the current year's financial statement presentation.

# **Renascent Foundation Inc.**

## **Notes to Financial Statements**

**March 31, 2019**

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### **11. Financial instruments risk exposure**

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at the balance sheet date.

#### ***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 Foundation is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The maximum exposure to credit risk is the carrying value of accounts receivable. The allowance for doubtful accounts is \$15,000 (2018 - \$36,720).

#### ***Liquidity risk***

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to liquidity risk arising primarily from its long term debt obligations. The Foundation's ability to meet obligations is dependent on the receipt of funds from its donors, fees for service as well as other related sources of revenue. The Foundation mitigates this risk by managing its working capital and cashflows and through the availability of its credit line. The Foundation has not had issues with meeting obligations in the past.

#### ***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 other price risk. The Foundation is mainly exposed to interest rate risk and other price risk.

#### ***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. The Foundation has several mortgages with interest at varying rates and maturity dates. Changes in the interest rates upon renewal can cause fluctuations in interest payments and cash flows. The Foundation does not use derivative financial instruments to alter the effects of this risk.

#### ***Other price risk***

Other price risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk), whether those changes are caused by factors to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Foundation's exposure to price risk is limited as the investment mix consists mainly of cash, mutual funds and guaranteed investment certificates.