Renascent Foundation Inc.

Financial Statements

March 31, 2022

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, 2022**, the statements of revenue and expenses, changes in net assets 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, 2022, 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, 2022 and 2021, current assets as at March 31, 2022 and 2021, and net assets as at April 1 and March 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended March 31, 2021 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.

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 23, 2022

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

Renascent Foundation Inc.

Statement of Financial Position
As at March 31

	2022	2021
Assets		
Current		
Cash	$ 240,312	$ 377,617
Short term investment	717,128	715,959
Deposits and prepaid expenses	50,103	8,796
Accounts receivable	341,075	322,452
HST receivable	7,535	11,115
Receivable from Renascent Fellowship (Note 6)	522,524	486,527
	1,878,677	1,922,466
Capital assets (Note 2)	4,930,291	5,083,604
	$ 6,808,968	**$ 7,006,070**
Liabilities		
Current		
Bank indebtedness (Note 3)	$ 21,056	$ 29,223
Accounts payable and accrued liabilities	57,491	84,970
Current portion of long-term debt (Note 5)	1,013,563	554,956
Deferred revenue (Note 4)	318,680	192,221
	1,410,790	861,370
Long-term debt (Note 5)	691,260	1,299,000
	2,102,050	2,160,370
Net Assets		
Endowment Fund (Note 9)	228,670	228,670
Alumni Committee Fund (Note 9)	2,077	2,077
Invested in Capital Assets (Note 9)	3,204,412	3,200,425
Unrestricted	1,271,759	1,414,528
	4,706,918	4,845,700
	$ 6,808,968	**$ 7,006,070**

See accompanying notes to financial statements

On behalf of the Board:

_____ Director _____ Director

Renascent Foundation Inc.

Statement of Revenue and Expenses
Year Ended March 31

	2022	2021
Revenue		
Donations	$ 553,803	$ 542,621
Fees for service	3,439,775	2,825,194
Essential Family Care	163,840	72,320
Special events	186,672	155,846
Rental income (Note 7)	731,525	642,959
Miscellaneous	7,217	9,262
Wage subsidy (Note 11)	2,517	105,337
	5,085,349	4,353,539
Expenses		
Grant to Renascent Fellowship - annual operations (Note 7)	1,183,527	1,111,305
Treatment centres (Note 7)	2,585,620	1,648,877
Special events	33,813	39,252
Annual giving	443,665	206,112
Administration	448,671	342,697
Insurance	2,180	2,026
Property tax	16,934	16,998
Interest on long term debt	46,998	73,624
Amortization	462,723	440,287
	5,224,131	3,881,178
(Deficiency) excess of revenue over expenses	**$ (138,782)**	**$ 472,361**

See accompanying notes to financial statements

Renascent Foundation Inc.

Statement of Changes in Net Assets
Year Ended March 31

	2022					2021
	Endowment Fund (Note 9)	Alumni Committee Fund (Note 9)	Invested In Capital Assets (Note 9)	Unrestricted	Total	Total
Balances, beginning of year	$ 228,670	$ 2,077	$ 3,200,425	$ 1,414,528	$ 4,845,700	$ 4,373,339
Excess of revenue over expense (expense over revenue)	-	-	(462,723)	323,941	(138,782)	472,361
Debt repayment	-	-	157,300	(157,300)	-	-
Net transfers for capital asset additions	-	-	309,410	(309,410)	-	-
Balances, end of year	**$ 228,670**	**$ 2,077**	**$ 3,204,412**	**$ 1,271,759**	**$ 4,706,918**	**$ 4,845,700**

See accompanying notes to financial statements

Renascent Foundation Inc.

Statement of Cash Flows
Year Ended March 31

	2022	2021
Operating activities		
(Deficiency) excess of revenue over expenses	$ (138,782)	$ 472,361
Items not requiring an outlay of cash		
Amortization of capital assets	462,723	440,287
	323,941	912,648
Cash generated from (used for)		
Operating working capital		
Deposits and prepaid expenses	(41,307)	1,584
Accounts receivable	(18,623)	(75,053)
HST receivable	3,580	3,402
Accounts payable and accrued expenses	(27,479)	(76,829)
Deferred revenue	126,459	42,738
Increase from operating activities	366,571	808,490
Investing activity		
Net purchase of capital assets	(309,410)	(119,746)
Financing activities		
Repayment of long-term debt	(149,133)	(79,285)
Lease line of credit	(8,167)	29,223
Payable from Renascent Fellowship	(35,997)	(368,073)
Decrease from financing activities	(193,297)	(418,135)
(Decrease) increase in cash	**(136,136)**	**270,609**
Cash, beginning of year	1,093,576	822,967
Cash, end of year	**$ 957,440**	**$ 1,093,576**
Cash is represented by:		
Cash	$ 240,312	$ 377,617
Short term investments	717,128	715,959
	$ 957,440	**$ 1,093,576**

See accompanying notes to financial statements

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) 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.

The Foundation follows the deferral method of accounting for contributions, which includes restricted grants and donations. See Note 13 for Change in Accounting Policy.

Designated grants and donations that have not been disbursed at year end are recorded as deferred revenue on the statement of financial position. Upon disbursement, the payment is recorded as an expense and the donation is recorded as revenue.

Donations and grants restricted for a specific purpose that have not been spent at the end of the year are recorded as deferred revenue on the statement of financial position. They are recognized as revenue when distributed.

Endowment contributions are recognized as increases in net assets in the year in which they are received. Interest earned on endowment funds is not restricted and is recognized on the statement of revenue and expenses when earned.

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

1. Summary of significant accounting policies (continued)

c) 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.

d) 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

1. Summary of significant accounting policies (continued)

e) 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.

f) 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.

g) 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 $5,074 (2021 - $6,169). This amount is not recognized in the financial statements. Volunteer hours that are donated have not been recorded by the Foundation.

h) 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.

2. Capital assets

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 2,407,175	$ -	$ 2,407,175	$ 2,407,175
Buildings	7,254,351	5,386,679	1,867,672	2,230,390
Furniture and equipment	1,173,750	834,707	339,043	288,801
Major renovations	259,366	31,159	228,207	113,819
Computer software	196,584	108,391	88,193	43,419
	$11,291,226	**$ 6,360,936**	**$ 4,930,290**	**$ 5,083,604**

3. Bank Indebtedness

In addition to the the long term debt outlined in Note 5, the Foundation has a revolving demand facility of $50,000, a revolving lease line of credit in the amount of $350,000, 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, a first collateral mortgage in the amount of $1,000,000 covering the property located at 54 Madison Ave, 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, 2022 the outstanding balance related to the facility was $Nil (2021 - $Nil). As at March 31, 2022 the outstanding balance related to the lease line of credit was $21,056 (2021 - $29,223).

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 restricted grants, replacement funds and donations for a specific purpose that have not been spent at year end. The balance also includes unrestricted 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.

	2022	2021
Balance, beginning of year	$ 192,220	$ 149,483
Additions during the year	375,188	126,728
Recognized as income	(248,728)	(83,991)
Balance, end of year	**$ 318,680**	**$ 192,220**

5. Long-term debt

	2022	2021
Term loan payable bearing interest at 3.52% per annum, repayable in monthly instalments of principal and interest of $2,905, matured September 28, 2021, The term loan was renewed for 1 year at $2.67%, repayable in monthly instalments of principal and interest of $2,744.56 and is due September 2, 2022. Term loan is secured by the property with a net book value of $678,801 (2021 - $754,824).	404,917	425,923
Term loan payable bearing interest at prime plus 1.25% per annum repayable in monthly instalments of principal of $6,558 plus interest, matured May 10, 2021. Term loan was renewed for two years at 2.4%, repayable in monthly instalments of principal and interest of $7,442 and is due May 10, 2023. Term loan is secured by the property with a net book value of $1,457,306 (2021 - $1,529,256).	763,061	834,694
Term loan bearing interest at 2.3% repayable in monthly instalments of principal and interest of $5,796 and is due March 30, 2023. Term loan is secured by the property with a net book value of $1,471,133 (2021 - $1,588,781).	536,845	593,339
	1,704,823	1,853,956
Less: current portion	1,013,563	554,956
	$ 691,260	**$ 1,299,000**

Scheduled debt repayments to the maturity dates are as follows:

2023	$ 1,013,563
2024	691,260
	$ 1,704,823

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 $1,183,527 (2021 - $1,111,304) and earned rental income at estimated market rates of $731,525 (2021 - $642,959) from Renascent Fellowship. In addition, included under treatment centres expense is a service provision fee cost of $2,315,375 (2021 - $1,254,225) 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. Net Assets

Endowment Fund

Externally restricted contributions received from donors for the Endowment fund are not included in revenue in the statement of revenue and expenses, but are added directly to the Endowment fund as stated in note 1(b).

Alumni Committee Fund

The internally restricted Alumni Committee Fund reports resources that has been allocated for Alumni activities by the Alumni Committee.

Designated for Capital Asset Fund

The Designated for Capital Asset fund reports resources that have been allocated for capital purposes by the Board of Directors.

10. 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.

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 $33,907 (2021 - $45,369).

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.

11. Financial instruments risk exposure (continued)

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.

12. COVID-19 and Government assistance related to COVID-19

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (COVID-19) as a global pandemic, which has led to a significant impact on the Canadian and global economies. The full impact of the Covid-19 outbreak continues to evolve at the date of this report. An estimate of the financial effect on the organization cannot be made at this time. Management has proactively taken steps to continue delivery of programs and services during the pandemic ensuring the safety of all staff and participants.

The organization applied for and received Government assistance related to the COVID-19 pandemic under the Canada Emergency Wage Subsidy (CEWS) program. The CEWS program provides varying wage subsidy rates based on government outlined subsidy periods commencing March 15, 2020. For the fiscal year ended March 31, 2022, the organization was eligible for $2,517 (2021 - $105,337) in subsidies from the CEWS program which is recognized in the statement of operations under government subsidies.

13. Change in accounting policy for restricted contributions

Effective April 1, 2021, the Foundation changed its accounting policy for recording restricted contributions to the deferral method. Previously, the Foundation recorded restricted contributions in accordance with the restricted fund method.

The change in policy has been made because it is the board and management's opinion that the deferral method of recording contributions more accurately reflects the annual operations of the Foundation.

The change in policy had no impact on previously reported figures of the Statement of Revenue and Expenses or Statement of Cash Flows for the year ended March 31, 2021. There were no restricted contributions received for the year end March 31, 2021 and as such a restatement of the Statement of Revenue and Expenses or Statement of Cash Flows was not required.

The change in policy impacted the Statement of Financial Position and the Statement of Changes in Net Assets (previously Statement of Changes in Fund Balances) as a result of the change in treatment of the Replacement Fund balance. The previously reported Replacement Fund balance of $65,492 was removed from the Statement of Changes in Net Assets and included in the opening balance of deferred revenue. The opening balance of deferred revenue as at April 1, 2020 was previously reported as $83,991 and was increased to $149,483 to reflect the inclusion of the deferred replacement funds. The ending balance at March 31, 2021 was similarly increased by the inclusion of this amount from the previously recorded closing balance of $126,728 to the restated closing balance of $192,220. There were no other changes to the Statement of Financial Position or the Statement of Changes in Net Assets required.