Renascent Fellowship

Financial Statements

March 31, 2020

Independent Auditor's Report

To the Board of Directors of

Renascent Fellowship

Opinion

We have audited the accompanying financial statements of **Renascent Fellowship,** which comprise the statement of financial position as at **March 31, 2020** 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Renascent Fellowship** as at March 31, 2020 and 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for 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 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 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 25, 2020

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

Renascent Fellowship

Statement of Financial Position
As at March 31

	2020	2019
Assets		
Current		
Cash	$ 131,112	$ 41,999
Sales taxes and other receivables	55,380	45,124
Wage subsidy receivable	82,703	-
Prepaid expenses	18,379	21,274
Due from Renascent Foundation Inc. (Note 2)	-	54,887
	287,574	163,284
Capital assets (Note 3)	8,920	62,010
	$ 296,494	**$ 225,294**
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 350,946	$ 398,200
Deferred government grants revenue (Note 6)	26,223	26,223
Due to Renascent Foundation Inc. (Note 2)	118,454	-
	495,623	424,423
Fund balances		
Invested in Capital Assets	8,920	62,010
Unrestricted Operating	(208,049)	(261,139)
	(199,129)	(199,129)
	$ 296,494	**$ 225,294**

See accompanying notes to financial statements

On behalf of the Board:

Suzanne V. Jaffe Director

President Chair

6/29/20

Director

Treasurer

Renascent Fellowship

Statement of Operations
Year Ended March 31

	2020	2019
Revenue		
Toronto Central LHIN - operations	$ 2,701,678	$ 2,631,241
Grants from Renascent Foundation (Note 10)		
- annual operations	1,523,184	1,330,214
Wage subsidy	92,707	-
Ministry of Health and Long-Term Care (Note 6)	-	89,395
Service provision fee (Note 8)	1,550,761	1,809,468
	5,868,330	5,860,318
Expenses		
Wages and benefits	3,777,348	3,800,019
Rent (Note 8)	642,959	642,959
Food	279,127	292,520
Repairs and maintenance	365,557	397,350
One-time repairs and development	70,361	90,643
Program materials	46,145	28,118
Bank charges	5,555	6,419
Utilities	138,299	132,211
Laundry and household	82,297	65,106
Transportation	81,020	79,889
Professional and contractor fees	166,191	133,563
Stationery, postage and printing	32,350	27,167
Honoraria	3,915	3,023
Telephone	30,708	25,438
Insurance	67,403	63,071
Miscellaneous	27,947	25,812
Alumni affairs	3,753	8,451
Education	42,105	34,503
Amortization	5,290	4,056
	5,868,330	5,860,318
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	2020 Total	2019 Total
Balance, beginning of year	$ 62,010	$ (261,139)	$ (199,129)	$ (199,129)
Excess of (expenses over revenue) revenue over expenses	(5,290)	5,290	-	-
Transfer for purchase (disposal) of capital assets	(47,800)	47,800	-	-
Balance, end of year	**$ 8,920**	**$ (208,049)**	**$ (199,129)**	**$ (199,129)**

See accompanying notes to financial statements

Renascent Fellowship

Statement of Cash Flows
Year Ended March 31

	2020	2019
Operating activities		
Excess of revenue over expenses for the year	$ -	$ -
Items not requiring an outlay of cash		
Amortization of capital assets	5,290	4,056
	5,290	4,056
Cash generated from (used for)		
Operating working capital		
Sales taxes and other receivables	(92,959)	21,638
Prepaid expenses and sundry assets	2,895	(7,520)
Accounts payable and accrued liabilities	(47,254)	(3,395)
(Decrease) increase from operating activities	(132,028)	14,779
Investing activity		
Purchase of capital assets	-	(47,800)
Disposal of capital assets	47,800	-
Increase (decrease) from investing activity	47,800	(47,800)
Financing activities		
Deferred government grants revenue	-	(136,973)
Due to Renascent Foundation Inc.	173,341	(31,350)
Increase (decrease) from financing activities	173,341	(168,323)
Increase (decrease) in cash	**89,113**	**(201,344)**
Cash, beginning of year	41,999	243,343
Cash, end of year	**$ 131,112**	**$ 41,999**

See accompanying notes to financial statements

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.

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.

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 Renascent Foundation Inc.

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

3. Capital assets

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	$ 69,373	$ 63,222	$ 6,151	$ 30,889
Computer equipment and software	23,047	20,278	2,769	31,121
	$ 92,420	**$ 83,500**	**$ 8,920**	**$ 62,010**

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, 2020, the outstanding balance related to the facility was $Nil (2019 - $20,000).

5. Accounts payable and accrued liabilities

The accounts payable and accrued liabilities includes an accrual for vacation pay in the amount of $15,072 (2019 - $11,936).

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.

	2020	2019
Balance, beginning of year	$ 26,223	$ 163,196
Funds received (repaid) during the year	-	(47,578)
Amounts recorded as revenue in the year	-	(89,395)
Balance, end of year	**$ 26,223**	**$ 26,223**

7. Lease Commitments

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

2021	28,708
2022	14,354
	$ 43,062

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, 2020. During the year, the LHIN provided 46% (2019 - 47%) 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.

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 (2019 - $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.

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.