Renascent Foundation Inc.

Financial Statements

March 31, 2018

Independent Auditor's Report

To the Members of

Renascent Foundation Inc.

Report on the financial statements

We have audited the accompanying financial statements of **Renascent Foundation Inc.**, which comprise the statement of financial position as at **March 31, 2018**, and 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.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Renascent Foundation Inc. 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 Foundation. 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, 2018 and 2017, current assets as at March 31, 2018 and 2017, and net assets as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of **Renascent Foundation Inc.** 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

Renascent Foundation Inc.

Statement of Financial Position
As at March 31

	2018	2017
Assets		
Current		
Cash	$ 302,432	$ 175,396
Short term investment	1,041,313	682,676
Deposits and prepaid expenses	9,736	25,419
Accounts receivable	241,094	167,712
HST receivable	12,727	25,003
	1,607,302	1,076,206
Capital assets (Note 2)	5,939,396	6,269,514
	$ 7,546,698	**$ 7,345,720**
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 216,278	$ 260,448
Current portion of long-term debt (Note 5)	217,420	925,424
Payable to Renascent Fellowship (Note 6)	23,536	72,662
Deferred revenue (Note 4)	255,745	142,800
	712,979	1,401,334
Long-term debt (Note 5)	2,076,975	1,575,576
	2,789,954	2,976,910
Fund Balances		
Restricted Funds		
Replacements Funds	65,492	65,492
Endowments	228,670	228,670
Complete Care Bursary	201,454	-
	495,616	294,162
Unrestricted Funds		
Invested in Capital Assets	4,016,104	4,224,153
Unrestricted	245,024	(149,505)
	4,261,128	4,074,648
	4,756,744	4,368,810
	$ 7,546,698	**$ 7,345,720**

See accompanying notes to financial statements

On behalf of the Board:

Suzanne V. Jaffe ____ **Director**

Doug Wall ____ **Director**

Renascent Foundation Inc.

Statement of Revenue and Expenses
Year Ended March 31

	2018			2017
	Restricted	**Unrestricted**	**Total**	**Total**
Revenue				
Donations	$ 201,454	$ 545,508	$ 746,962	$ 487,412
Fees for service	-	3,182,064	3,182,064	2,188,416
Essential Family Care	-	206,934	206,934	171,102
Special events	-	285,966	285,966	283,242
Rental income (Note 7)	-	642,959	642,959	642,959
Miscellaneous	-	19,703	19,703	22,898
	201,454	4,883,134	5,084,588	3,796,029
Expenses				
Grant to Renascent Fellowship (Note 7)				
- annual operations	-	1,188,173	1,188,173	946,663
Treatment Centres (Note 7)	-	2,638,150	2,638,150	2,374,851
Special events	-	182,317	182,317	128,510
Annual campaign	-	291,418	291,418	231,404
Governance and administration	-	381,900	381,900	382,997
Loss on disposal of capital assets	-	14,696	14,696	13,278
	-	4,696,654	4,696,654	4,077,703
Excess (deficiency) of revenue over expenses	**$ 201,454**	**$ 186,480**	**$ 387,934**	**$ (281,674)**

See accompanying notes to financial statements

Renascent Foundation Inc.

Statement of Changes in Fund Balances
Year Ended March 31

	2018						2017
	Restricted Funds						
	Replacement Fund	Endowments	Complete Care Bursary	Invested in Capital Fund	Unrestricted Total	Total	
Balances, beginning of year	$ 65,492	$ 228,670	$ -	$ 4,224,153	$ (149,505)	$ 4,368,810	$ 4,650,484
Excess of revenue over expense (expenses over revenue)	-	-	201,454	(414,654)	601,134	387,934	(281,674)
Long-term debt repayment	-	-	-	206,605	(206,605)	-	-
Balances, end of year	**$ 65,492**	**$ 228,670**	**$ 201,454**	**$ 4,016,104**	**$ 245,024**	**$ 4,756,744**	**$ 4,368,810**

See accompanying notes to financial statements

Renascent Foundation Inc.

Statement of Cash Flows
Year Ended March 31

	2018	2017
Operating activities		
Excess (deficiency) of revenue over expenses	$ 387,934	$ (281,674)
Items not requiring an outlay of cash		
Amortization of capital assets	399,957	391,334
Loss on disposal of capital assets	14,696	13,278
	802,587	122,938
Cash generated from (used for)		
Operating working capital		
Deposits and prepaid expenses	15,683	(9,367)
Accounts receivable	(73,382)	82,797
HST receivable	12,276	(5,666)
Accounts payable and accrued expenses	(44,170)	(184,727)
Deferred revenue	112,945	(12,700)
Increase (decrease) from operating activities	825,939	(6,725)
Investing activity		
Net purchase of capital assets	(84,535)	(615,758)
Financing activities		
Repayment of long-term debt	(206,605)	(115,130)
Payable from Renascent Fellowship	(49,126)	63,742
Decrease from financing activities	(255,731)	(51,388)
Increase (decrease) in cash	**485,673**	**(673,871)**
Cash, beginning of year	858,072	1,531,943
Cash, end of year	**$ 1,343,745**	**$ 858,072**

Cash is represented by:		
Cash	$ 302,432	$ 175,396
Short term investments	1,041,313	682,676
	$ 1,343,745	**$ 858,072**

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) 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.

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 recognized 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
Computer software	-	30%	declining-balance

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 $18,631 (2017 - $79,093). 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.

2. Capital assets

	2018			2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 2,407,175	$ -	$ 2,407,175	$ 2,407,175
Buildings	7,254,350	3,935,764	3,318,586	3,681,305
Furniture and equipment	828,652	615,767	212,885	180,021
Computer software	76,433	75,683	750	1,016
	$10,566,610	**$ 4,627,214**	**$ 5,939,396**	**$ 6,269,517**

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, 2018 the outstanding balance related to the facility was $Nil (2017 - $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.

	2018	2017
Balance, beginning of year	$ 142,800	$ 155,500
Additions during the year	252,745	142,800
Recognized as income	(142,800)	(155,500)
Balance, end of year	**$ 252,745**	**$ 142,800**

5. Long-term debt

	2018	2017
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 $1,951,299 (2017 - $2,059,299).	$ 105,132	$ 192,280
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 $983,918 (2017 - $1,058,918).	473,449	491,307
Mortgage payable bearing interest at 3.36% per annum, repayable in monthly instalments of principal and interest of $7,823, due May 5, 2018, secured by the property with a net book value of $1,746,171 (2017 - $1,817,174). This mortgage was renegotiated subsequent to year end. The renegotiated mortgage payable bears interest at 3.35% per annum,repayable in monthly instalments of principal and interest of $8,225, due May 5, 2019.	998,077	1,056,443
Term loan bearing interest at 3.55% 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 $1,951,299	717,737	760,970
	2,294,395	2,501,000
Less: current portion	217,420	925,424
	$ 2,076,975	**$ 1,575,576**

Scheduled debt repayments to the maturity dates are as follows:

2019	$ 217,420
2020	1,023,029
2021	637,971
2022	415,975
	$ 2,294,395

5. Long-term debt (continued)

Interest on long-term debt for the year amounted to $87,308 (2017 - $103,979). The interest expense is included in the Treatment Centres expenses on the Statement of Revenue and Expenses.

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 $1,188,172 (2017 - $946,663) and earned rental income at estimated market rates of $642,959 (2017 - $642,959) from Renascent Fellowship. In addition, included under treatment centres expense is a service provision fee cost of $1,345,354 (2017 - $1,201,058) 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. 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 $36,720 (2017 - $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.