

KERRY'S PLACE RESIDENTIAL SERVICES
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of
Kerry's Place Residential Services

Opinion

We have audited the accompanying financial statements of Kerry's Place Residential Services (the Organization), which comprise the statement of financial position as at March 31, 2019, and the statement of operations, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, and its financial performance and 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 Auditors' 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.

Auditors' 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 auditors' 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 auditors' 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.



Chartered Professional Accountants
Licensed Public Accountants

Newmarket, Ontario
June 18, 2019

**KERRY'S PLACE RESIDENTIAL SERVICES
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT		
Cash	\$ 522,629	\$ 645,975
Amounts receivable	<u>34,348</u>	<u>14,991</u>
	556,977	660,966
FIXED (Notes 2 and 4)	<u>9,135,498</u>	<u>7,871,130</u>
	<u>\$ 9,692,475</u>	<u>\$ 8,532,096</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 28,948	\$ 20,583
Current portion of bank loan payable (Note 5)	98,005	72,709
Current portion of mortgages payable (Note 6)	<u>203,837</u>	<u>589,991</u>
	<u>330,790</u>	<u>683,283</u>
BANK LOAN PAYABLE (Note 5)	<u>3,380,125</u>	<u>2,450,988</u>
MORTGAGES PAYABLE (Note 6)	<u>1,056,318</u>	<u>759,046</u>
	<u>4,767,233</u>	<u>3,893,317</u>
NET ASSETS		
Invested in capital assets (Note 7)	4,397,211	3,998,396
Unrestricted	302,463	414,815
Reserve for major repairs and maintenance	<u>225,568</u>	<u>225,568</u>
	<u>4,925,242</u>	<u>4,638,779</u>
	<u>\$ 9,692,475</u>	<u>\$ 8,532,096</u>

On behalf of the Board:

_____ Director

_____ Director

See accompanying notes to the financial statements

BATEMAN, GRAHAM & FITZPATRICK
CHARTERED PROFESSIONAL ACCOUNTANTS

**KERRY'S PLACE RESIDENTIAL SERVICES
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
REVENUE		
Rent (Note 11)	\$ 771,398	\$ 674,540
Membership	155	948
Expenses recovered (Note 11)	<u>31,489</u>	<u>10,775</u>
	<u>803,042</u>	<u>686,263</u>
EXPENDITURES		
Administrative (Note 11)	45,000	46,560
Depreciation	203,941	179,854
Insurance	-	2,223
Miscellaneous and general	5,020	565
Mortgage and loan interest	158,798	131,627
Professional fees	72,331	49,007
Repairs and maintenance	<u>31,489</u>	<u>10,775</u>
	<u>516,579</u>	<u>420,611</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 286,463</u>	<u>\$ 265,652</u>

See accompanying notes to the financial statements

BATEMAN, GRAHAM & FITZPATRICK
CHARTERED PROFESSIONAL ACCOUNTANTS

**KERRY'S PLACE RESIDENTIAL SERVICES
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>Invested in Capital Assets</u> (Note 7)	<u>Unrestricted</u>	<u>Reserve for Major Repairs and Maintenance</u> (Note 10)	<u>2019 Total</u>	<u>2018 Total</u>
Net assets, beginning of year	\$ 3,998,396	\$ 414,815	\$ 225,568	\$ 4,638,779	\$ 4,373,127
Excess of revenue over expenses	-	286,463	-	286,463	265,652
Change in investment in capital assets	<u>398,815</u>	<u>(398,815)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 4,397,211</u>	<u>\$ 302,463</u>	<u>\$ 225,568</u>	<u>\$ 4,925,242</u>	<u>\$ 4,638,779</u>

See accompanying notes to the financial statements

BATEMAN, GRAHAM & FITZPATRICK
CHARTERED PROFESSIONAL ACCOUNTANTS

**KERRY'S PLACE RESIDENTIAL SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
CASH PROVIDED BY OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 286,463	\$ 265,652
Items not involving cash		
Depreciation	<u>203,941</u>	<u>179,854</u>
	490,404	445,506
Changes in non-cash working capital items		
Accounts payable and accrued liabilities	8,363	(30,909)
Accounts receivable	<u>(19,357)</u>	<u>(14,991)</u>
	<u>479,410</u>	<u>399,606</u>
INVESTING ACTIVITY		
Purchase of fixed assets	<u>(1,468,307)</u>	<u>(853,724)</u>
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	1,027,415	463,157
Repayment of long-term borrowings	<u>(161,864)</u>	<u>(273,337)</u>
	<u>865,551</u>	<u>189,820</u>
NET DECREASE IN CASH	(123,346)	(264,298)
CASH, beginning of year	<u>645,975</u>	<u>910,273</u>
CASH, end of year	<u>\$ 522,629</u>	<u>\$ 645,975</u>

See accompanying notes to the financial statements

BATEMAN, GRAHAM & FITZPATRICK
CHARTERED PROFESSIONAL ACCOUNTANTS

**KERRY'S PLACE RESIDENTIAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

1. NATURE OF BUSINESS

Kerry's Place Residential Services (the "Organization") is a non-profit organization, incorporated without share capital under the laws of Ontario on February 10, 1997 and is registered with the Canada Revenue Agency as a charitable organization. The Organization's purpose, among other activities, is to provide home/housing in various communities in the Province of Ontario for persons with pervasive Developmental Disorder/Autism, as well as to promote community involvement and to provide services, programs and facilities and/or treatment for such persons.

The Organization derives substantially all of its revenue from Kerry's Place Autism Services ("KPAS"), a not-for-profit charitable organization which also operates residential, respite and community services in Ontario serving people with autism (Note 11).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles, the most significant of which are summarized as follows:

Revenue recognition

Rental income is recorded on an accrual basis. Donations are recorded when received.

Donated materials and services

Donated materials and services received by the Organization are not recognized in the financial statements because of the difficulty in determining their fair value.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and any adjustments are reported in earnings in the period they become known. The principal estimates used in the preparation of these financial statements include useful life of fixed assets and accrued liabilities. Actual results could differ from managements' best estimates as additional information becomes available in the future.

Fixed assets

Fixed assets comprise land and buildings and are recorded at cost less accumulated depreciation. Buildings are being depreciated on a straight line basis over 40 years. In the year of acquisition, one half of the normal rate is used.

**KERRY'S PLACE RESIDENTIAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

Impairment of Long-lived Assets

The Organization reviews long-lived assets such as capital assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment of the carrying value of the assets exist, and the carrying value is greater than the net recoverable value, an impairment loss is recognized to the extent that the fair value is below the carrying value. There were no significant indications of impairment of the carrying values of the Organization's long-lived assets at March 31, 2019.

Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include amounts receivable.

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

Impairment of financial instruments

Financial assets measured at cost are tested annually for impairment if there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

3. FINANCIAL RISKS

Credit risk

Credit risk represents the financial loss that the organization would experience if a counterparty to a financial instrument failed to meet its obligations.

The organization has established various internal controls designed to mitigate credit risk. Management reviews rental income agreements and renewals to mitigate any credit risk on its obligations.

Liquidity risk

Liquidity risk is the risk that the organization will be unable to fulfill its obligations on a timely basis or at reasonable cost. Management manages liquidity risk by monitoring its operational requirements and preparing budgets to ensure it has sufficient funds to fulfill its obligations.

Interest rate risk

Certain mortgages payable have variable interest rates. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The organization does not use derivative financial instruments to alter the effects of this risk.

**KERRY'S PLACE RESIDENTIAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

4. FIXED ASSETS

	<u>Land</u>	<u>Building</u>	<u>Depreciation</u>	<u>2019 Total</u>	<u>2018 Total</u>
McIntyre Road	\$ 87,424	\$ 349,694	\$ 114,454	\$ 322,664	\$ 331,407
Amoro Drive	134,445	537,779	20,208	652,016	665,461
Rusholme Road	108,680	434,722	179,323	364,079	374,947
Holborn Road	120,150	480,600	174,217	426,533	438,548
First Avenue	54,054	216,216	89,189	181,081	186,486
Ringway Crescent	68,094	272,375	112,355	228,114	234,924
Shoredale Drive	76,242	304,968	102,927	278,283	285,907
Gray Road	38,402	153,610	51,843	140,169	144,009
Clare Street	32,557	129,504	37,232	124,829	128,066
Clare Street	35,676	142,705	44,595	133,786	137,353
Leader Drive	78,951	315,806	75,004	319,753	327,648
Wingfield Road	83,527	334,106	87,703	329,930	338,283
8th Line	77,763	311,054	73,875	314,942	322,718
First Street	89,000	363,471	77,237	375,234	384,320
Doane Road	183,301	734,491	156,080	761,712	780,075
Harvard Avenue	154,824	619,294	131,600	642,518	658,000
Gavey Street	77,290	309,160	50,239	336,211	343,941
First Street	95,605	382,421	62,143	415,883	425,443
Old Homestead	88,584	354,337	48,721	394,200	403,058
Reid Settlement	89,724	358,897	49,348	399,273	408,245
D'Arcy McGee	116,272	465,087	40,695	540,664	552,291
Mountland Drive	146,990	587,959	7,349	727,600	-
5 Sideroad	146,672	586,686	7,334	726,024	-
	<u>\$ 2,184,227</u>	<u>\$ 8,744,942</u>	<u>\$ 1,793,671</u>	<u>\$ 9,135,498</u>	<u>\$ 7,871,130</u>

**KERRY'S PLACE RESIDENTIAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

5. BANK LOAN PAYABLE

	<u>2019</u>	<u>2018</u>
Bank loan payable, 3.30%, monthly payments of \$10,689.77 on account of principal and interest, secured by land and building, due February 12, 2021	\$ 1,999,358	\$ 2,060,540
Bank loan payable, 3.81%, monthly payments of \$2,433.08 on account of principal and interest, secured by land and building, due August 4, 2022	451,357	463,157
Bank loan payable, 4.60%, monthly payments of \$2,891.08 on account of principal and interest, secured by land and building, due August 30, 2023	509,415	-
Bank loan payable, 4.45%, monthly payments of \$2,864.74 on account of principal and interest, secured by land and building, due March 14, 2024	<u>518,000</u>	<u>-</u>
	3,478,130	2,523,697
Less current portion	<u>98,005</u>	<u>72,709</u>
	<u>\$ 3,380,125</u>	<u>\$ 2,450,988</u>

Principal repayments on the bank loan are due as follows:

2020	\$ 98,005
2021	1,972,068
2022	37,669
2023	38,927
2024	<u>1,331,461</u>
	<u>\$ 3,478,130</u>

The loan is secured by collateral mortgages, constituted as a first charge on the lands and improvements, on the following properties:

Reid Settlement
D'Arcy McGee
Doane Road
Ringway Crescent
Harvard Street
First Street
McIntyre Court
First Avenue
8th Line
Amoro
Gray Road
Gavey Street
First Street

**KERRY'S PLACE RESIDENTIAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

6. MORTGAGES PAYABLE

<u>Property</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2019</u>	<u>2018</u>
Mortgages payable to financial institutions:				
Rusholme Road	December 17, 2023	4.20%	174,213	190,566
Holborn Road	August 13, 2019	2.94%	61,748	90,810
Shoredale Drive	March 30, 2020	3.70%	85,099	97,064
Leader Drive	March 31, 2024	3.80%	119,366	124,780
Wingfield Road	February 26, 2023	1.80%	176,753	184,539
Gavey Street	December 17, 2023	4.20%	204,045	209,894
Old Homestead	December 17, 2023	4.20%	201,254	207,306
First Street	December 17, 2023	4.20%	<u>237,677</u>	<u>244,078</u>
			1,260,155	1,349,037
Less: current portion			<u>203,837</u>	<u>589,991</u>
			<u>\$ 1,056,318</u>	<u>\$ 759,046</u>

In the ordinary course of business, mortgages are renewed or replaced at maturity at the prevailing rate.

Principal repayments on the mortgages are due as follows:

2020	\$ 203,837
2021	59,306
2022	61,716
2023	567,368
2024	<u>367,928</u>
	<u>\$ 1,260,155</u>

**KERRY'S PLACE RESIDENTIAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

7. INVESTED IN CAPITAL ASSETS

(a) Invested in capital assets is calculated as follows:

	<u>2019</u>	<u>2018</u>
Capital assets	\$ 9,135,498	\$ 7,871,130
Amounts financed by mortgages	(1,260,155)	(1,349,037)
Amounts financed by bank loan payable	<u>(3,478,132)</u>	<u>(2,523,697)</u>
	<u>\$ 4,397,211</u>	<u>\$ 3,998,396</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	<u>2019</u>	<u>2018</u>
Net change in investment in capital assets:		
Additions to capital assets	1,468,307	853,724
Amortization of capital assets	(203,941)	(179,854)
Loan payable (additions) repayments	(954,433)	122,141
Mortgage principal repayments (additions)	<u>88,882</u>	<u>(311,961)</u>
	<u>\$ 398,815</u>	<u>\$ 484,050</u>

8. INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Organization has granted indemnity to its past, present and future directors, officers, employees and volunteers against expenses, judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interest of the Organization.

9. UNRESTRICTED FUNDS

Unrestricted funds can only be disbursed upon the discretion and agreement of the Board of Directors.

10. RESERVE FOR MAJOR REPAIRS AND MAINTENANCE

The Organization has adopted a policy, whereby 10% of rent and interest income is reserved for future major repairs and maintenance up to a maximum of \$225,000.

11. KERRY'S PLACE AUTISM SERVICES TRANSACTIONS

The Organization had the following transactions with KPAS:

	<u>2019</u>	<u>2018</u>
Rental income	\$ 771,398	\$ 674,540
Administrative expenses paid	\$ 45,000	\$ 46,560
Expenses recovered	\$ 31,489	\$ 10,775

**KERRY'S PLACE RESIDENTIAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

12. CREDIT FACILITIES

The Organization has an available \$150,000 revolving demand facility with an interest rate of RBP + 0.8%, and two revolving facilities by way of term loans in the amounts up to \$7,300,000 and \$3,700,000 at an interest rate of RBP + 1.0%. Security for these facilities are the underlying properties.