

**CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES  
À LA FAMILLE CATHOLIQUES DE DURHAM**

**FINANCIAL STATEMENTS**

**MARCH 31, 2021**



Smith  
Chappell  
Marsh  
Vilander LLP

H. Howard Smith, FCPA (Retired)  
Richard A. Chappell, CPA, CA (Retired)  
Deborah L. Marsh, CPA, CA  
Vesa K. Vilander, CPA, CA

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**Catholic Family Services of Durham/Services à la famille catholiques de Durham:**  
OSHAWA, ONTARIO

### *Qualified Opinion*

We have audited the financial statements of Catholic Family Services of Durham/Services à la famille catholiques de Durham (the Organization), which comprise the statement of financial position as at March 31, 2021 and March 31, 2020, and the statements of operations, changes in net assets and cash flows for the years then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the possible 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, 2021 and March 31, 2020, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

### *Basis for Qualified Opinion*

In common with many charitable organizations, the Organization derives revenue from clients on a non-compulsory, fee-for-service basis as well as donations from the general public and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, 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 revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years.

We conducted our audits 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 audits 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Smith Chappell Marsh Vilanda LLP*

**Oshawa, Ontario  
June 14, 2021**

**Chartered Professional Accountants  
Licensed Public Accountants**

**CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES À LA FAMILLE  
CATHOLIQUES DE DURHAM**

**STATEMENT OF FINANCIAL POSITION**

<b>AS AT MARCH 31,</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 424,353	\$ 109,461
Accounts receivable	76,921	35,411
Prepaid expenses	<u>51,582</u>	<u>17,703</u>
	552,856	162,575
<b>Capital Assets - at net book value (Note 3)</b>	<u>3,234,145</u>	<u>3,333,565</u>
	<u>\$ 3,787,001</u>	<u>\$ 3,496,140</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	\$ 292,014	\$ 79,459
Deferred revenues (Note 4)	196,521	52,996
Loan payable (Note 10)	200,000	250,000
Mortgage payable due within one year (Note 9)	<u>1,149,840</u>	<u>67,308</u>
	1,838,375	449,763
<b>Deferred Contributions Related to Capital Assets (Note 5)</b>	<u>1,532,336</u>	<u>1,588,052</u>
<b>Long Term</b>		
Mortgage payable (Note 9)	<u>-</u>	<u>1,149,840</u>
	<u>3,370,711</u>	<u>3,187,655</u>
<b>NET ASSETS</b>		
<b>Invested in Capital Assets (Note 2)</b>	351,969	278,365
<b>Internally Restricted Funds (Note 2)</b>	29,966	-
<b>Unrestricted</b>	<u>34,355</u>	<u>30,120</u>
	<u>416,290</u>	<u>308,485</u>
	<u>\$ 3,787,001</u>	<u>\$ 3,496,140</u>

**APPROVED ON BEHALF OF THE BOARD:**

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES À LA FAMILLE  
CATHOLIQUES DE DURHAM**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED MARCH 31,**

**2021**

**2020**

**Revenue**

Ministry of Children, Community and Social Services	\$ 1,005,208	\$ 915,811
Catholic Charities of the Archdiocese of Toronto	549,416	492,318
Fundraising	57,662	57,176
Rental income	61,040	62,874
United Ways	56,098	25,000
Client fees	26,139	31,760
Donations	32,309	24,437
Amortization of deferred contributions	55,716	55,716
Grants and other revenue	91,848	50,000
Interest	49	2
	<u>1,935,485</u>	<u>1,715,094</u>

**Expenses**

Salaries and benefits	1,136,557	1,079,644
Rent and occupancy costs	351,234	151,327
Program cost	-	60,000
Purchased services	103,204	80,872
Office	65,340	64,463
Mortgage interest	49,827	52,798
Amortization	99,420	99,423
Fundraising	2,047	20,538
Agency dues and fees	16,016	11,806
Training and education	1,042	5,368
Recreation and education programs	182	2,068
Transportation	2,417	5,648
Advertising and promotion	394	3,812
	<u>1,827,680</u>	<u>1,637,767</u>

Excess of Revenue over Expenses

\$ 107,805

\$ 77,327

**CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES À LA FAMILLE  
CATHOLIQUES DE DURHAM**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED MARCH 31,**

**2021**

**2020**

**Invested in Capital Assets**

Opening balance	\$ 278,365	\$ 254,765
Amortization	(99,420)	(99,423)
Amortization of deferred contributions related to capital assets	55,716	55,716
(Increase) decrease in mortgage and loan payable	<u>117,308</u>	<u>67,307</u>
Closing balance	\$ <u>351,969</u>	\$ <u>278,365</u>

**Internally Restricted Funds**

**Playground Fund**

Transfer from operations	\$ <u>14,000</u>	\$ -
Closing balance	\$ <u>14,000</u>	\$ -

**Capital Donation Fund**

Transfer from operations	\$ <u>15,966</u>	\$ -
Closing balance	\$ <u>15,966</u>	\$ -

**Financial Stability Fund**

Opening balance	\$ -	\$ 154,440
Transfer to Unrestricted Net Assets	-	(154,440)
Closing balance	\$ -	\$ -
	\$ <u>29,966</u>	\$ -

**Unrestricted Net Assets**

Beginning of year	\$ 30,120	\$ (178,047)
Excess of Revenue over Expenses	<u>107,805</u>	<u>77,327</u>
	137,925	(100,720)
Transfer to Invested in Capital Assets - net	(73,604)	(23,600)
Transfer from Financial Stability Fund	-	154,440
Transfer to Playground Fund	(14,000)	-
Transfer to Capital Donation Fund	<u>(15,966)</u>	-
Closing balance	\$ <u>34,355</u>	\$ <u>30,120</u>



# CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES À LA FAMILLE CATHOLIQUES DE DURHAM

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

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### 1. Nature of Business

Catholic Family Services of Durham/Services à la famille catholiques de Durham (the Organization) commenced operations in 1981 under the auspices of Catholic Charities of the Archdiocese of Toronto. The Organization was incorporated in 1983 in Ontario as a corporation without share capital. The mission of the Organization is to provide help, hope and healing to individuals, couples and families, regardless of beliefs, through evidence based clinical therapy, psycho-educational counselling and support. The Organization is a charitable organization in accordance with the Income Tax Act (Canada) and, as such, does not pay income taxes.

### 2. Summary of Significant Accounting Policies

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and include the following significant accounting policies:

#### Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Fundraising activities are recorded in the financial statements when the event is held.

Revenues from the Ministry of Children, Community and Social Services are reported based on the contracts.

Grants received from Catholic Charities and United Ways are reported based on the funding agreement.

Client fees are recognized when the services are provided.

Rental income is due and recognized at the beginning of each month for that month.

#### Capital Assets

Capital assets are recorded at cost and amortized on a straight-line basis over their average useful life. Computer hardware and software acquired are being amortized over three years, office furniture and equipment acquired are being amortized over ten years to better reflect their useful lives. The building at 707 Simcoe Street South, Oshawa, Ontario is being amortized over 30 years.

#### Invested in Capital Assets

This fund represents the net book value of capital assets (cost less accumulated amortization) less deferred contributions related to capital assets, loan payable and mortgage payable.

#### Internally Restricted Funds

The Financial Stability Fund was established by the Board of Directors to provide a reserve in the case of closure of the Organization or other unexpected events as approved by the Board. Periodic transfers to and from these funds to and from operations are approved by the Board of Directors.

The Playground Fund was established by the Board of Directors to accumulate funds donated for the building of a playground at the Oshawa site.

The Capital Donation Fund was established by the Board of Directors to accumulate funds donated for the purpose of addressing capital expenditures.



**CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES À LA FAMILLE  
CATHOLIQUES DE DURHAM**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from those estimates.

**Contributed Goods and Services**

The Organization would not be able to carry out its activities without the services of the volunteers who donate a number of hours. The value of these hours has not been calculated by management and are not audited nor reflected in the financial statements.

Contributed goods are recorded at fair market value as part of revenue and expenditures when fair value can be reasonably estimated and when goods are used in the normal course of the Organization's operations and would otherwise have been purchased. Donated goods provided for fundraising purposes are not recognized in the financial statements.

**Financial Instruments**

*Measurement of financial instruments*

The Organization initially measures its financial assets at fair value.

The Organization subsequently measures all its financial assets and financial 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.

Financial liabilities measured at amortized cost include accounts payable, government remittances payable, loan payable and mortgage payable.

The Organization has no financial assets measured at fair value.

*Impairment*

Financial assets measured at cost are tested for impairment when 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.

*Transaction costs*

The Organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES À LA FAMILLE  
CATHOLIQUES DE DURHAM**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2021**

**3. Capital Assets**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2021</u>	<u>2020</u>
Land	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Building	2,982,699	248,554	2,734,145	2,833,565
Office furniture and equipment	2,374	2,374	-	-
Computer hardware and software	<u>38,198</u>	<u>38,198</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,523,271</u>	<u>\$ 289,126</u>	<u>\$ 3,234,145</u>	<u>\$ 3,333,565</u>

The land and building at 707 Simcoe Street South, Oshawa, Ontario have been purchased and renovated with significant funds provided by the Province of Ontario through the Ministry of Children, Community and Social Services, who have invested \$1,671,626 in 2017/2018 and 2018/2019 which represents a 48% interest in the property.

**4. Deferred Revenues**

Deferred revenues represent specific operating funding received in the current year that is related to the subsequent year.

**5. Deferred Contributions Related to Capital Assets**

Deferred contributions related to specific capital assets represent the unamortized amount of funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization expense related to these capital assets.

**6. Pension Costs and Obligations**

Effective January 1, 2020, the members voted in favour of merging with the CAAT Pension Plan and received government approval of the merger in 2020. All members are contributing to and earning a pension under CAAT's DBplus plan design effective January 1, 2020.

The most recent valuation as of January 1, 2021 showed that the DB Plan had a surplus on the going concern basis and was fully funded on a solvency basis.

For 2021, the employer contributions to the DB plan were \$55,711 (\$27,982 for 2020) and those to the DC plan were \$0 (\$19,460 for 2020).

**CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES À LA FAMILLE  
CATHOLIQUES DE DURHAM**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2021**

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**7. Commitments**

The Organization is committed to annual amounts under lease agreements with respect to the premises as follows:

2022	\$ 58,201
2023	58,253
2024	53,927

**8. Bank Credit Facility**

The Organization has entered into an agreement with the Toronto-Dominion Bank for an operating loan via overdraft to a maximum amount of \$100,000. This loan bears interest at the Prime rate plus 1%. As at March 31, 2021, there was no balance outstanding on this loan. Security pledged is as described below in Note 9.

**9. Mortgage Payable**

	<u>2021</u>	<u>2020</u>
Toronto-Dominion Bank, bearing interest at 4.20%, repayable in monthly payments of principal of \$5,609, due October 30, 2021, interest payments only until October 30, 2018	\$ <u>1,149,840</u>	\$ <u>1,217,148</u>

Principal repayments over the next year are as follows:

2022	\$ 1,149,840
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Security pledged with the Toronto-Dominion Bank consists of a general security agreement representing a first charge on all the Organization's present and after acquired personal property. In addition, the Toronto-Dominion Bank has a collateral mortgage, representing a first charge, on the real property at 707 Simcoe Street South, Oshawa, Ontario of \$2,000,000. The carrying value of the real property is \$3,234,145. There is also a general assignment of rents and leases representing a first charge on 707 Simcoe Street South, Oshawa, Ontario.

**CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES À LA FAMILLE  
CATHOLIQUES DE DURHAM**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2021**

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**10. Loan Payable**

The loan payable represents an interest-free loan from Catholic Charities of the Archdiocese of Toronto and is due and payable on demand of the lender. Unless the lender makes a demand, the loan is repayable in four installments of \$50,000 on or before October 31 annually.

**11. Cash Provided From (Used For) Working Capital**

The net change in non-cash working capital balances related to operations is as follows:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ (41,511)	\$ 13,356
Prepaid expenses	(33,879)	(2,853)
Accounts payable	212,555	(3,721)
Deferred revenues	143,526	10,678
Government remittances payable	<u>-</u>	<u>(13,307)</u>
	<u>\$ 280,691</u>	<u>\$ 4,153</u>

**12. Financial Instruments**

**Risks and concentrations**

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at March 31, 2021.

*Liquidity risk*

Liquidity risk is defined as the risk that the Organization may not be able to meet or settle its obligations as they become due. The Organization has taken steps to ensure that it will have sufficient working capital to meet its obligations.

*Credit risk*

Credit risk arises from the potential that counterparties including clients will fail to perform their obligations. The Organization is subject to credit risk through its receivables. Account monitoring procedures are utilized to minimize risk of loss.

*Interest rate risk*

Interest rate risk arises because of the fluctuation in interest rates. The Organization is subject to interest rate risk through their mortgage payable. The Organization monitors the current interest rate to ensure that their interest rates do not vary much from market rate.

**CATHOLIC FAMILY SERVICES OF DURHAM/SERVICES À LA FAMILLE  
CATHOLIQUES DE DURHAM**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2021**

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**13. Economic Dependence**

In common with other publicly funded agencies, the organization derives the majority of its revenue from the Province of Ontario. Further, the Province of Ontario through the Ministry of Children, Community and Social Services has an encumbrance on the property held in the name of the organization.

The organization also derives significant revenue from Catholic Charities of the Archdiocese of Toronto.

**14. Subsequent Event**

Catholic Family Services of Durham/Services à la famille catholiques de Durham have signed a Memorandum of Understanding to pursue/further explore a merger with another organization.

**15. Impact of COVID-19 on Operations**

In March 2020, the World Health Organization declared the outbreak of a novel Coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

As at date approved, the organization is aware of changes in the operations as a result of the COVID-19 crisis, including the temporary interruption of on-site programs and services, work from home arrangements for employees of the organization, application for all available subsidies that the organization is eligible for and reducing operating costs where possible.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary, however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the organization's operations as at the date of these financial statements.