FAMILY SERVICE THAMES VALLEY

Financial Statements

Year Ended March 31, 2023

INDEPENDENT AUDITORS' REPORT

To the Members of Family Service Thames Valley

Opinion

We have audited the financial statements of Family Service Thames Valley (the Organization), which comprise the statement of financial position as at March 31, 2023, and the statements of revenues and expenditures, changes in net assets and 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, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 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.

Other Matter

The financial statements for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 11, 2022.

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 ASNPO, 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.

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INDEPENDENT AUDITORS' REPORT (CONT'D)

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 auditors' 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.

Marcus & Associates LLP

London, Ontario
June 21, 2023

Chartered Professional Accountants
Licensed Public Accountants

FAMILY SERVICE THAMES VALLEY

Statement of Financial Position

March 31, 2023

		2023		2022
ASSETS				
Current Assets:				
Cash	$	**944,420**	$	55,775
Short-term investments		**200,000**		-
Accounts receivable		**301,839**		370,526
Harmonized sales tax recoverable		**35,490**		28,201
Prepaid expenses		**37,486**		247,387
Security deposit		**50,000**		-
		1,569,235		701,889
Tangible Capital Assets *(Note 4)*		**449,886**		28,627
Libro Credit Union shares		**11,366**		10,955
Mortgage Receivable *(Note 5)*		**-**		1,081,552
	$	**2,030,487**	$	1,823,023
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable and accrued liabilities	$	**362,394**	$	259,752
Deferred revenue related to expenses of future periods *(Note 6)*		**66,200**		49,058
		428,594		308,810
Deferred Revenue Related To Tangible Capital Assets *(Note 7)*		**416,922**		-
		845,516		308,810
Net Assets		**1,184,971**		1,514,213
	$	**2,030,487**	$	1,823,023

ON BEHALF OF THE BOARD

_______________ *Director*

_______________ *Director*

FAMILY SERVICE THAMES VALLEY

Statement of Revenues and Expenditures

Year Ended March 31, 2023

	2023	2022
Revenues:		
Ontario Ministry of Children, Community and Social Services	$ **1,199,338**	$ 919,307
PassportONE fees	**336,954**	301,946
Contract service fees	**296,970**	302,419
United Way of London-Middlesex grant	**250,000**	402,700
Client service fees	**196,628**	246,811
Ontario Trillium Foundation grant	**111,667**	42,935
Middlesex County fee	**64,900**	58,714
Other revenue	**63,403**	84,185
Ontario Ministry of Health	**43,815**	46,267
Other grants and donations	**17,296**	46,117
London Community Foundation grant	**2,000**	13,000
	2,582,971	2,464,401
Expenditures: *(Schedule 1)*	**2,980,646**	2,518,416
Deficiency Of Revenues Over Expenditures From Operations	**(397,675)**	(54,015)
Other Income:		
Imputed interest on mortgage receivable *(Note 5)*	**18,448**	25,804
Amortization of deferred revenue related to tangible capital assets *(Note 7)*	**49,985**	-
	68,433	25,804
Deficiency Of Revenues Over Expenditures For The Year	**$ (329,242)**	$ (28,211)

FAMILY SERVICE THAMES VALLEY
Statement of Changes in Net Assets
Year Ended March 31, 2023

	2023	2022
NET ASSETS - BEGINNING OF YEAR	**$ 1,514,213**	$ 1,542,424
Deficiency of revenues over expenditures	**(329,242)**	(28,211)
NET ASSETS - END OF YEAR	**$ 1,184,971**	$ 1,514,213

FAMILY SERVICE THAMES VALLEY

Statement of Cash Flows

Year Ended March 31, 2023

	2023	2022
Operating Activities:		
Deficiency of revenues over expenditures	$ **(329,242)**	$ (28,211)
Items not affecting cash:		
Amortization of tangible capital assets	**59,354**	8,655
Imputed interest on mortgage receivable	**(18,448)**	(25,804)
Amortization of deferred revenue related to tangible capital assets	**(49,985)**	-
	(338,321)	(45,360)
Changes in non-cash working capital:		
Accounts receivable	**68,687**	79,938
Harmonized sales tax recoverable	**(7,289)**	(15,058)
Prepaid expenses	**209,901**	(238,220)
Security deposit	**(50,000)**	-
Accounts payable and accrued liabilities	**102,642**	(24,138)
Deferred revenue related to expenses of future periods	**17,142**	803
	341,083	(196,675)
Cash flow from (used by) operating activities:	**2,762**	(242,035)
Investing Activities:		
Purchase of tangible capital assets	**(480,613)**	(14,313)
Increase in long term investment	**(411)**	(475)
Repayment of mortgage receivable	**1,100,000**	-
Proceeds of deferred revenue related to capital assets	**466,907**	-
Cash flow from (used by) investing activities:	**1,085,883**	(14,788)
Increase (Decrease) In Cash Flow	**1,088,645**	(256,823)
Cash - Beginning Of Year	**55,775**	312,598
Cash - End Of Year	$ **1,144,420**	$ 55,775
Cash consists of:		
Cash	$ **944,420**	$ 55,775
Short-term investments	**200,000**	-
	$ **1,144,420**	$ 55,775

1. ORGANIZATION

Family Service Thames Valley (the "Organization") is a registered charity, incorporated without share capital under the Ontario Corporations Act and provides counselling and community integration programs.

The organization claims exemption from income taxes under section 149 of the Income Tax Act relating to non-profit organizations.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Family Service Thames Valley follows the deferral method of accounting for contributions which include donations and government grants.

- Operating grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.
- Revenue from fees and contracts is recognized when the services are provided.
- 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.
- Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of tangible assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related tangible capital assets.

Cash and Short-Term Investments

Cash and bank term deposits include cash on hand and on deposit, less cheques issued and outstanding at the reporting date and highly liquid guaranteed investment certificates.

Short-term Investments are recorded at cost plus accrued interest, which approximates fair value. Accrued interest on Short-term Investments has been included with accounts receivable.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible Capital Assets

Tangible capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following annual rates:

Computer hardware	5 years
Computer software	5 years
Furniture and equipment	5 years, 7 years, 15 years
Leasehold improvements	7 years

Contributed tangible capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of a tangible capital asset are capitalized.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

When a tangible capital asset no longer contributes to the Organization's ability to provide goods and services, or future economic benefits or service potential of the tangible capital asset is less than its carrying value, the excess of its net carrying value amount over its fair value or replacement cost is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Gifts-in-Kind

The Organization benefits from gifts-in-kind. These financial statements do not reflect any revenue or expenditures related to gifts-in-kind for which fair value cannot be reasonably estimated.

Measurement uncertainty

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in operations in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	**2023 Net book value**	2022 Net book value
Computer hardware	$ 119,717	$ 43,345	**$ 76,372**	$ 27,261
Computer software	-	-	**-**	966
Furniture and equipment	189,616	20,623	**168,993**	400
Leasehold improvements	208,423	22,331	**186,092**	-
Security system	18,639	210	**18,429**	-
	$ 536,395	$ 86,509	**$ 449,886**	$ 28,627

5. MORTGAGE RECEIVABLE

	2023	2022
Interest free mortgage receivable due December 6, 2022.	**$ -**	$ 1,081,552

As part of the sale of the land and building as described in the March 31, 2021 financial statements, the organization agreed to take back a first charge mortgage in the amount of $1,100,000. The interest free mortgage has been present valued at a market rate of interest of 2.5%. Imputed interest income of $18,448 has been reported in the current year and the full amount of $1,100,000 has been paid to the organization during the fiscal year.

During the year, The Organization entered into a line of credit agreement with Libro Credit Union in the amount of $500,000. The above noted mortgage had been assigned as security for the line of credit. As the mortgage receivable was collected during the fiscal year, the line of credit was extinguished.

6. DEFERRED REVENUE

Deferred revenue related to expenditures of future periods represent unspent externally restricted grants and contracts.

	2023	2022
Deferred revenue related to expenditures of future periods		
Balance - beginning of year	**$ 49,058**	$ 48,255
Contributions received during the year	**65,504**	100,590
Amounts recognized as revenue in the year	**(48,362)**	(99,787)
	$ 66,200	$ 49,058

7. DEFERRED REVENUE RELATED TO TANGIBLE CAPITAL ASSETS

	2023	2022
Deferred revenue related to tangible capital assets		
Balance - beginning of year	$ -	$ -
Contributions received during the year	466,907	-
Amounts recognized as revenue in the year	(49,985)	-
	$ 416,922	$ -

Deferred revenue related to tangible capital assets represents the unamortized amounts of subsidies received for the purchase of capital assets.

The amortization of capital contributions is recorded as revenue in the statement of revenues and expenditures.

8. WILLIAMS FOUNDATION ENDOWMENT FUND

The Organization is a named beneficiary of the Dr. Earl G. Williams & Iona Ann Williams Foundation, an endowment fund. The balance in the fund plus accrued income are legally the property of the Foundation, and are administered by a third party trustee and accordingly, the fund balance is not included in the accounts of the Organization. A portion of the income earned by the fund will be contributed annually to the Organization after deduction of an annual administration fee, and is to be used for a specified purpose.

Income received for the year ended March 31, 2023 amounted to $3,656 (2022 - $2,013). Included in deferred revenue (Note 6) is $24,587 (2022 - $24,108) received from this fund which has not been spent.

9. PENSION PLAN

The Organization makes contributions, on behalf of its staff, to the Family Service Thames Valley Registered Pension Plan, which is a single employer plan. The plan is a defined contribution plan in which contributions are determined as a percentage of employee annual earnings. The amount contributed to the plan for 2023 was $30,553 (2022 - $25,382) for current service and is included with salaries and benefits in the statement of revenues and expenditures.

At March 31, 2023, there is no liability for past service under the agreement.

10. LEASE COMMITMENTS

The Organization has entered into a long term lease with respect to its premises commencing June 1, 2022 and expiring May 31, 2029. Future minimum lease payments as at year end are as follows:

2024	$ 189,825
2025	193,621
2026	197,493
2027	201,443
2028	205,472
Thereafter	244,626
	$ 1,232,480

11. ONTARIO MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES - SERVICE CONTRACT

Family Service Thames Valley has a Service Contract with the Ontario Ministry of Children, Community and Social Services. A reconciliation report summarizes, by detail code, all revenues and expenditures and identifies any resulting surplus or deficit that relates to the Service Contract.

A review of these reports shows that all services under the Service Contract, consisting of the following, are in a breakeven position as at March 31, 2023: VAW (Violence Against Women) Counselling Services, Victim Quick Response Program+, Adult Protective Services Support, Child & Family Assessment & Support, BPS (Broader Public Sector) - Other Developmental Services.

During March 2023, the Ontario Ministry of Children, Community and Social Services made additional transfers to the Organization in the amount of $550,000. These transfers were outside the scope of the Service Contract and were intended to reduce the financial pressures associated with the Organization's move to its new location.

Of the total $550,000 received, the Organization recognized $83,093 as revenue during the current fiscal year, as this amount was used to cover move related expenses during the period. The remaining $466,907 was used to purchase new tangible capital assets for the Organization. This amount was recognized as deferred revenue and is being recognized as revenue over the useful lives of the tangible capital assets that were purchased. For the year ended March 31, 2023, the Organization has recognized $49,985 as revenue from the deferred revenue related to tangible capital assets. Note 7 provides the summary of changes in deferred revenue related to tangible capital assets.

12. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides information about the Organization's risk exposure and concentration. There have been no significant changes in the nature or concentration of the risk exposures from the prior year, unless otherwise noted.

<u>Credit risk</u>

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 Organization is exposed to credit risk from its clients and funders. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. At year end, no allowance for doubtful accounts has been established. The Organization's credit risk is reduced due to the following:

a) The Organization receives a significant portion of its revenue from government agencies, which greatly reduces the Organization's exposure to credit risk; and,
b) For those services charged directly to clients, the Organization normally obtains payment at the time service is provided, thereby reducing credit risk from these clients. As part of its charitable mandate, the Organization is able to serve many of its clients free of charge, or at a reduced rate, if they meet certain criteria.

<u>Liquidity risk</u>

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization manages its liquidity risk by forecasting its cash needs on a regular basis and seeking additional information based on those forecasts.

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12. FINANCIAL INSTRUMENTS *(continued)*

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 rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Organization's operations that arise from fluctuations of foreign exchange rates. The Organization is not exposed to significant currency risk as the Organization does not hold financial instruments denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. In management's opinion, the Organization is exposed to interest rate risk primarily through its floating interest rate operating line of credit and the mortgage receivable.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. In management's opinion, the Organization is not exposed to significant other price risk.

13. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of Chartered Professional Accountants.

Some of the comparative figures have been reclassified to conform to the current year's presentation.

FAMILY SERVICE THAMES VALLEY

Expenses (Schedule 1)

Year Ended March 31, 2023

	2023	2022
Salaries and benefits *(Note 9)*	**$ 2,130,072**	$ 2,008,184
Rental	**152,919**	5,245
Office	**133,027**	106,216
Moving expense	**95,700**	-
Purchased services	**80,477**	114,514
Computer	**67,699**	60,980
Amortization	**59,354**	8,655
Telephone and utilities	**51,705**	50,420
Repairs and maintenance	**39,409**	42,963
Advertising and promotion	**38,516**	408
Professional development, meetings and conferences	**33,495**	20,391
Insurance	**27,103**	21,559
Transportation	**26,576**	30,035
Professional fees	**25,893**	28,159
Agency dues	**18,701**	12,927
Bad debts	**-**	7,760
	$ 2,980,646	$ 2,518,416