Financial Statements of

COMMUNITY LIVING TORONTO

Year ended March 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of Community Living Toronto

We have audited the accompanying financial statements of Community Living Toronto, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Living Toronto as at March 31, 2017, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 27, 2017

Vaughan, Canada

COMMUNITY LIVING TORONTO

Statement of Financial Position
(expressed in thousands)

March 31, 2017, with comparative information for 2016

		2017		2016
Assets				
Current assets:				
Cash and cash equivalents (note 2)	$	1,544	$	1,032
Accounts receivable (note 5)		3,091		2,929
Capital funding receivable - current (note 6)		1,155		401
Prepaid expenses		539		565
		6,329		4,927
Accrued pension assets (note 12):				
Employee plan		-		10,037
Executive plan		-		1,338
Capital funding receivable (note 6)		2,198		3,366
Capital assets (note 7)		24,010		24,443
	$	32,537	$	44,111
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$	12,200	$	10,873
Mortgages payable - current (note 9)		1,155		401
Deferred revenue		2,090		1,242
Equity term loan (note 4)		150		150
		15,595		12,666
Long-term liabilities:				
Mortgages payable - long term (note 9)		2,198		3,366
Equity term loan - long term (note 4)		1,938		2,088
Deferred contributions - expense of future periods (note 10(a))		5,830		5,379
Deferred contributions - capital assets (note 10(b))		1,152		1,510
		11,118		12,343
Net assets:				
Invested in capital assets (note 11)		20,770		20,695
Endowments (note 13)		116		114
Internally restricted funds (note 14)		5,562		5,553
Unrestricted		(20,624)		(7,260)
		5,824		19,102
Commitments (note 15)				
Subsequent event (note 9)				
	$	32,537	$	44,111

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Director ______________________ Director

COMMUNITY LIVING TORONTO

Statement of Operations
(expressed in thousands)

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Ministry of Community and Social Services (note 3)	$ 67,861	$ 62,440
City of Toronto	2,702	2,597
United Way	865	877
Entrepreneurial Ventures	1,328	1,497
Interest	12	9
Amortization of deferred contributions, operations	934	1,311
Other revenues	11,487	10,775
	85,189	79,506
Expenses:		
Residential	54,784	52,381
Community support services	11,054	6,933
Supports to employment	9,501	9,450
Adult development services	6,620	6,740
Other expenses	1,323	2,341
Entrepreneurial Ventures	1,210	1,446
Volunteer and member support services	478	497
	84,970	79,788
Excess (deficiency) of revenue over expenses before amortization	219	(282)
Amortization of deferred capital contributions	(358)	(225)
Amortization of capital assets	657	717
Total amortization	299	492
Deficiency of revenue over expenses	$ (80)	$ (774)

See accompanying notes to financial statements.

COMMUNITY LIVING TORONTO

Statement of Changes in Net Assets
(expressed in thousands)

Year ended March 31, 2017, with comparative information for 2016

					2017	2016
	Invested in capital assets	Endowments	Internally restricted funds	Unrestricted	Total	Total
Net assets, beginning of end of year	$ 20,695	$ 114	$ 5,553	$ (7,260)	$ 19,102	$ 26,536
Deficiency of revenues over expense (note 11)	(299)	-	-	219	(80)	(774)
Net change in investments in capital assets (note 11)	374	-	-	(374)	-	-
Addition to endowments (note 13)	-	2	-	-	2	2
Addition to internally restricted funds- membership fees (note 14)	-	-	9	(9)	-	10
Pension remeasurements and other items (note 12)	-	-	-	(13,200)	(13,200)	(6,672)
Net assets, end of year	$ 20,770	$ 116	$ 5,562	$ (20,624)	$ 5,824	$ 19,102

See accompanying notes to financial statements.

COMMUNITY LIVING TORONTO

Statement of Cash Flows
(expressed in thousands)

Year ended March 31, 2017, with comparative information for 2016

		2017		2016
Cash from operating activities:				
Deficiency of revenue over expenses	$	(80)	$	(774)
Adjusted for the following non-cash items				
Amortization of deferred contributions, operations		(934)		(1,311)
Amortization of deferred capital contributions		(358)		(225)
Amortization of capital assets		657		717
Pension benefit expense (note 12)		1,629		1,382
Net change in non-cash working capital (note 16)		2,039		450
Employer pension contributions (note 12)		(3,454)		(2,682)
Deferred contributions received, operations		1,385		1,510
Net cash generated (used) through operating activities		884		(933)
Financing activities:				
Receipt of capital funding receivable		414		400
Payments of mortgages payable		(414)		(400)
Payment of equity term loan		(150)		(150)
Net cash used through financing activities		(150)		(150)
Investing activities:				
Purchase of capital assets		(224)		(45)
Proceeds from disposal of capital assets		-		132
Receipt of endowments - externally restricted		2		2
Net cash generated (used) through investing activities		(222)		89
Increase (decrease) in cash and cash equivalents		512		(994)
Cash and cash equivalents, beginning of year		1,032		2,026
Cash and cash equivalents, end of year	$	1,544	$	1,032

See accompanying notes to financial statements.

Community Living Toronto (CLT) is a not-for-profit organization, incorporated without share capital under the laws of Ontario. CLT is principally involved in serving people with developmental disabilities. CLT is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook ("ASNPO").

(a) Revenue recognition:

CLT follows the deferral method of accounting for contributions.

(i) Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Purchases of land from restricted contributions are accounted for as direct increases to net assets.

(ii) Endowment contributions are recognized as direct increases in endowment net assets. Restricted income from endowments is shown as deferred contribution and recognized as revenue in the year in which related expenses are incurred. Unrestricted income from endowments is recognized as revenue in the year earned.

(iii) 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.

(iv) Other revenues consist primarily of residential user fees, user fee per diems and miscellaneous services provided to customers through agencies. Revenue related to these services are recognized when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured, and amounts have been earned.

(b) Cash and cash equivalents:

Cash and cash equivalents include operating accounts and Guaranteed Investment Certificates which are highly liquid with original maturities of less than three months.

1. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

CLT has elected to carry its investments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CLT determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CLT expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Contributed materials and service:

During the year CLT received contributions of materials and services. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed 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 an asset are capitalized. When a capital asset no longer contributes to CLT's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight-line basis using the following annual rates:

- Buildings: 15-25 years
- Equipment, computer hardware and software: 5-10 years

1. Significant accounting policies (continued):

(f) Pension:

CLT sponsors defined benefit pension plans, which cover substantially all of its employees. These plans are both contributory and non-contributory plans and are final average plans.

CLT uses the immediate recognition approach to account for its defined benefit plans. CLT accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the plan assets and accrued benefit obligation coincides with CLT's fiscal year. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2014, and the next required valuation will be as of March 31, 2017.

The defined benefit asset/liability is the benefit obligation less fair value of assets, adjusted for any valuation allowance. Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period are immediately recognized in the statement of changes in net assets. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. These differences between actual results and actuarial assumptions are reported as pension remeasurements and other items in the statement of changes in net assets.

Past service costs arising from plan amendments are immediately recognized as pension remeasurements.

(g) Use of estimates:

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, employee related obligations, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Cash and cash equivalents:

Cash and cash equivalents consist of a flexible Guaranteed Investment Certificate with a maturity date of December 5, 2017 (2016 - December 5, 2016) and with interest at 0.8% (2016 - 1%) per annum. The Guaranteed Investment Certificate was redeemed in full subsequent to year end on April 26, 2017.

3. Support of government (Ministry of Community and Social Services and Ministry of Housing):

CLT's final amount to be received from or repayable to the Ministries for the year ended March 31, 2017 will not be determined until the Ministries have reviewed CLT's financial and statistical returns for that period. The management of CLT considers the amounts receivable from or repayable to the Ministries to include all proper adjustments for nonallowable costs.

4. Equity term loan and line of credit:

CLT has the following credit facilities with Canadian chartered banks as below:

A line of credit facility with Canadian Imperial Bank of Commerce in the amount of $1,725 (2016 - $1,725). This line of credit is offered at the bank prime rate plus 1.25%. At year end, CLT had not drawn on this facility.

An equity term loan facility with TD Canada Trust ("TD") in the amount of $2,250 (2016 - $2,250) to finance property acquisitions and is provided at the bank prime rate plus 1.00%.

On February 25, 2016, CLT renewed the equity term loan at an amount of $2,250 for a 5 year term to expire on February 25, 2022. The equity term loan is repayable in monthly principal installments of $13. The equity term loan was renewed at a floating rate of prime plus 1%. As at March 31, 2017, CLT had $2,088 (2016 - $2,238) outstanding under the equity term loan. The loan is secured by a general security agreement, collateral mortgage representing a first charge on certain property and an assignment of insurance and rents of certain properties.

(expressed in thousands)

4. Equity term loan and line of credit (continued):

Future principal payments required on the equity term loan for the next four years are as follows:

Year ended March 31, 2018	$	150
Year ended March 31, 2019		150
Year ended March 31, 2020		150
Year ended March 31, 2021		1,638
	$	2,088

On March 14, 2017, CLT entered into additional credit facilities with TD, which includes a $5,000 operating loan at the bank prime rate plus 0.5%, a letter of credit of $1,200 at an interest rate of 1% and a committed reducing term facility of $2,100 at the bank prime rate plus 1.00%. As of March 31, 2017, CLT has not drawn on the operating loan or the committed reducing term facility. As at year-end, CLT has a $1,200 letter of credit outstanding to reduce any future solvency payments required under the CLT pension plans (note 12). These loans are secured by a general security agreement, collateral mortgage representing a first charge on certain property and an assignment of insurance and rents of certain properties.

5. Accounts receivable:

		2017		2016
Accounts receivable	$	3,177	$	3,025
Less allowance for doubtful accounts		(86)		(96)
	$	3,091	$	2,929

(expressed in thousands)

6. Capital funding receivable:

This balance represents amounts due from the Ministry of Community and Social Services to fund the purchases of various buildings and houses. These amounts are received annually when related mortgage payments are made.

7. Capital assets:

				2017	2016
		Cost	Accumulated amortization	Net book value	Net book value
Land	$	17,725	$ -	$ 17,725	$ 17,725
Buildings		18,114	(12,791)	5,323	5,662
Equipment, computer hardware and software		5,552	(4,590)	962	1,056
	$	41,391	$ (17,381)	$ 24,010	$ 24,443

On March 7, 2017, CLT entered into a purchase and sale agreement (the "Agreement") to acquire property at 2907 Weston Road, Toronto, Ontario for a nominal consideration of $1. In accordance with the terms of the Agreement, the acquisition will close upon approval by the Ministry of Children and Youth Services. Upon closing, CLT will record the property at fair value of $1,200,000 in accordance with ASNPO.

(expressed in thousands)

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable as follows:

	2017	2016
Payroll remittances	$ 528	$ 548
Workplace safety and insurance board	201	136
	$ 729	$ 684

9. Mortgages payable:

Mortgages payable consists of 25 mortgages, which bear interest at varying rates from 1.11% to 8.00%. These mortgages mature at various dates from July 1, 2017 to June 1, 2025.

Future principal payments required on mortgages for the next five years are as follows:

Year ended March 31, 2018	$ 1,155
Year ended March 31, 2019	324
Year ended March 31, 2020	332
Year ended March 31, 2021	341
Year ended March 31, 2022	350
Thereafter	851
	$ 3,353

9. Mortgages payable (continued):

Property	Particulars: Interest rate	Particulars: Renewal date	Particulars: Monthly payment (inclusive of interest)	Principal balance as of March 31, 2017 (In thousands)	Principal balance as of March 31, 2016 (In thousands)
Folcroft	2.270 %	July 1, 2017	$ 2,074	$ 168	$ 189
Roundwood	2.180 %	August 1, 2017	2,493	278	302
Hepscott	1.710 %	September 1, 2017	965	60	70
Willard	2.245 %	October 1, 2017	2,137	181	202
Reidmount	1.530 %	December 1, 2017	1,782	118	137
Resolution	1.530 %	December 1, 2017	1,131	75	87
Annette	2.210 %	July 1, 2018	1,707	205	221
Mavety	2.435 %	April 1, 2019	1,946	152	171
Exford	2.160 %	November 1, 2019	2,475	218	243
Aspenwood	2.490 %	December 1, 2019	2,061	252	270
Fairview	1.110 %	April 1, 2021	1,880	154	174
Wellesworth	1.110 %	April 1, 2021	1,610	130	148
Lakeshore	1.855 %	June 1, 2021	1,205	83	97
Quarry	1.855 %	June 1, 2021	1,900	131	151
Marydon	1.300 %	February 1, 2022	801	45	54
Whitehorn	1.300 %	April 1, 2022	1,349	79	94
Dale	1.300 %	May 1, 2022	1,253	74	88
Sheppard	1.300 %	June 1, 2022	1,651	131	148
Royal York	1.300 %	June 1, 2022	1,634	131	148
Burnview	1.300 %	June 1, 2022	1,744	121	140
Kingston	1.300 %	June 1, 2022	982	59	70
Empire	6.145 %	December 1, 2023	1,609	107	119
Hobden Place	5.755 %	May 1, 2024	2,248	158	176
Simpson	5.755 %	May 1, 2024	2,737	193	214
Margaret	8.000 %	June 1, 2025	698	50	54
Total			$ 42,072	$ 3,353	$ 3,767
Less current portion				$ (1,155)	$ (401)
Total long term portion				$ 2,198	$ 3,366

(expressed in thousands)

9. Mortgages payable (continued):

Subsequent to year end, CLT has renewed the mortgages relating to Marydon, Whitehorn, Dale, Sheppard, Royal York, Burnview, and Kingston which were due on June 1, 2017 for a further period ranging from 4 years 8 months to 5 years. Interest rates have been changed to 1.30%. For financial statement presentation purposes, these mortgages have been segregated into short term and long term components.

10. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

	2017	2016
Balance, beginning of year	$ 5,379	$ 5,190
Amount received related to future period	1,385	1,500
Amount recognized as revenue in the year	(934)	(1,311)
	$ 5,830	$ 5,379

(b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

	2017	2016
Balance, beginning of year	$ 1,510	$ 1,735
Amounts amortized to revenue	(358)	(225)
Balance, end of year	$ 1,152	$ 1,510

(expressed in thousands)

11. Invested in capital assets:

Invested in capital assets is calculated as follows:

		2017		2016
Capital assets	$	24,010	$	24,443
Amounts financed by:				
Deferred contributions		(1,152)		(1,510)
Equity term loan		(2,088)		(2,238)
Mortgages payable		(3,353)		(3,767)
Capital funding receivable		3,353		3,767
	$	20,770	$	20,695

Change in net assets invested in capital assets is calculated as follows:

		2017		2016
Deficiency of revenues over expenses:				
Amortization of deferred capital contributions	$	358	$	225
Amortization of capital assets		(657)		(717)
	$	(299)	$	(492)
Net change in invested in capital assets:				
Purchase of capital assets	$	224	$	45
Proceeds on disposal of capital assets		-		(132)
Payment under equity term loan		150		150
Repayment of mortgage		414		400
Capital funding received		(414)		(400)
	$	374	$	63

(expressed in thousands)

12. Pension plan:

Information about CLT's defined benefit pension plans is as follows:

	Employee plan		Executive Plan		Total	
	2017	2016	2017	2016	2017	2016
Accrued benefit obligation	$ (74,614)	$ (69,190)	$ (6,299)	$ (6,038)	$ (80,913)	$ (75,228)
Market value of assets	88,233	79,227	7,781	7,376	96,013	86,603
Valuation allowance	(13,618)	-	(1,482)	-	(15,100)	-
Accrued pension asset	$ -	$ 10,037	$ -	$ 1,338	$ -	$ 11,375

Continuity of the accrued benefit asset (liability) as follows:

	Employee plan		Executive Plan		Total	
	2017	2016	2017	2016	2017	2016
Balance, beginning of year	$ 10,037	$ 14,853	$ 1,338	$ 1,894	$ 11,375	$ 16,747
Benefit expense	(1,454)	(1,245)	(175)	(137)	(1,629)	(1,382)
Employer contributions	3,131	2,366	323	316	3,454	2,682
Remeasurements and other items	(11,714)	(5,937)	(1,486)	(735)	(13,200)	(6,672)
Balance, end of year	$ -	$ 10,037	$ -	$ 1,338	$ -	$ 11,375

(expressed in thousands)

12. Pension plan (continued):

During the year, CLT changed its estimation with regard to the carrying value of the net pension asset. Based on current interpretations of the pension guidelines, management assessed that a valuation allowance was required in the amount of $15,100. The change has been applied prospectively and has been applied as a charge directly to net assets in the amount of $15,100.

13. Endowments:

Endowments consist of the following:

	2017	2016
Endowments, the income from which is restricted	$ 54	$ 53
Endowments, the income from which is unrestricted	62	61
Total	$ 116	$ 114

14. Internally restricted funds:

	2017	2016
Capital reserve	$ 2,628	$ 2,628
Endowments, internally restricted, the income from which is unrestricted	1,406	1,406
Membership revenue	128	119
Reserve, management contingency fund	600	600
Reserve, general	800	800
	$ 5,562	$ 5,553

(expressed in thousands)

15. Commitments:

The following is a schedule of future annual minimum lease payments required under operating leases for premises used as workshops and residences that have initial lease terms in excess of one year, as at March 31, 2017:

2018	$	1,529
2019		958
2020		702
2021		491
2022		276
	$	3,956

16. Statement of cash flows:

Changes in non-cash working capital comprise of the following items:

		2017		2016
Accounts receivable	$	(162)	$	428
Prepaid expenses		26		(48)
Accounts payable and accrued liabilities		1,327		(929)
Deferred revenue		848		999
	$	2,039	$	450

(expressed in thousands)

17. Program support and central administration:

Program support includes regional offices' administrative and indirect program expenses. Central administration expenses include corporate services such as human resource, finance and general administration. Such expenses are allocated directly to programs.

Program support expenses relate to those that support program delivery while administration expenses relate to those in the administration of the overall agency. The expenses have been allocated based on the estimated consumption of each function.

Program support and central administration expenses have been allocated as follows:

	2017	2016
Residential	$ 7,431	$ 6,948
Support to employment	1,342	1,272
Adult development services	946	1,081
Community support services	872	498
Other expenses	55	145
Total	$ 10,646	$ 9,944

18. Economic dependence:

The future viability of CLT is dependent upon continued support from the Ministry of Community and Social Services.

CLT receives a substantial amount of funding from the Ministry of Community and Social Services, pursuant to a Service Contract entered into by both parties.

19. Comparative information:

Certain 2016 comparative information has been reclassified to conform with the financial presentation adopted per the current year. The changes do not affect prior year earnings.