

**SUREX COMMUNITY SERVICES**

**FINANCIAL STATEMENTS**

**MARCH 31, 2019**

# **SUREX COMMUNITY SERVICES**

## **INDEX TO FINANCIAL STATEMENTS**

**MARCH 31, 2019**

INDEPENDENT AUDITORS' REPORT	1 - 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 11



## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**Surex Community Services:**

### Qualified Opinion

We have audited the accompanying financial statements of **Surex Community Services** which comprise the statement of financial position as at March 31, 2019, and the statement of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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 **Surex Community Services** as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

In common with many not-for profit organizations, Surex Community Services derives revenue from donation the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Surex Community Services and as a result, we were unable to determine whether any adjustments might be necessary to the results of operations, excess of revenue over cost, assets and fund balances for the year ended March 31, 2019. Our opinion on the current year financial statements is modified because of the possible effect of this matter on the comparability of the current and prior years figures.

We conducted our audit 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 Surex Community Services 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 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.

In preparing the financial statements, management is responsible for assessing Surex Community Services' 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 Surex Community Services or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Surex Community Services' 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 Surex Community Services' 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 Surex Community Services' 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 Surex Community Services 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.



RSP LLP  
Licensed Public Accountants  
July 18, 2019

# SUREX COMMUNITY SERVICES

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash	\$ 238,509	\$ 319,769
Investments (Note 4)	101,923	100,704
Accrued interest receivable	-	350
Grants and accounts receivable	186,015	435,349
Prepaid expenses and sundry assets	126,310	76,155
	<u>652,757</u>	<u>932,327</u>
Property, plant and equipment (Note 5)	2,513,041	2,344,384
	<u>\$ 3,165,798</u>	<u>\$ 3,276,711</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 605,596	\$ 842,821
Unearned portion of grants	1,013,625	1,095,952
	<u>1,619,221</u>	<u>1,938,773</u>
Fund balances (Note 2)		
Capital assets fund	2,273,134	1,995,498
Operating fund	(726,557)	(657,560)
	<u>1,546,577</u>	<u>1,337,938</u>
	<u>\$ 3,165,798</u>	<u>\$ 3,276,711</u>

On behalf of the Board



Director

Director

Contingencies (Note 10)

# SUREX COMMUNITY SERVICES

## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2019

	Capital Assets Fund		Operating Fund		Total	
	2019	2018	2019	2018	2019	2018
<b>Operating revenues</b>						
Grants	\$ 82,327	\$ 69,491	\$ 5,997,018	\$ 5,734,472	\$ 6,079,345	\$ 5,803,963
Family benefits allowance	-	-	624,780	613,361	624,780	613,361
Sales tax refund	-	-	132,078	107,153	132,078	107,153
Fund raising	-	-	89,151	73,712	89,151	73,712
Others	-	-	62,311	57,875	62,311	57,875
Interest income	-	-	870	832	870	832
	<b>82,327</b>	<b>69,491</b>	<b>6,906,208</b>	<b>6,587,405</b>	<b>6,988,535</b>	<b>6,656,896</b>
<b>Operating costs</b>						
Salaries	-	-	4,373,713	4,494,964	4,373,713	4,494,964
Benefits	-	-	891,003	841,967	891,003	841,967
Purchased services	-	-	431,077	408,893	431,077	408,893
Supplies	-	-	216,223	111,682	216,223	111,682
Premises	-	-	187,948	205,989	187,948	205,989
Food	-	-	122,367	125,622	122,367	125,622
Utilities and taxes	-	-	117,740	125,549	117,740	125,549
Vehicle	-	-	81,626	61,285	81,626	61,285
Repairs and maintenance	-	-	52,464	47,384	52,464	47,384
Insurance	-	-	48,288	41,669	48,288	41,669
Staff travel	-	-	31,362	31,039	31,362	31,039
Staff training	-	-	26,133	16,186	26,133	16,186
Personal needs	-	-	17,342	29,787	17,342	29,787
Fund raising	-	-	15,958	9,865	15,958	9,865
Replacements	-	-	6,401	12,135	6,401	12,135
Advertising	-	-	1,622	2,270	1,622	2,270
Amortization	169,017	123,712	-	-	169,017	123,712
	<b>169,017</b>	<b>123,712</b>	<b>6,621,267</b>	<b>6,566,286</b>	<b>6,790,284</b>	<b>6,689,998</b>
<b>Excess (deficiency) of revenues over costs before undernoted item</b>	<b>(86,690)</b>	<b>(54,221)</b>	<b>284,941</b>	<b>21,119</b>	<b>198,251</b>	<b>(33,102)</b>
Gain on disposal of property, plant and equipment	10,388	1,593	-	-	10,388	1,593
<b>Excess (deficiency) of revenues over costs</b>	<b>(76,302)</b>	<b>(52,628)</b>	<b>284,941</b>	<b>21,119</b>	<b>208,639</b>	<b>(31,509)</b>
Fund balances, beginning of the year	1,995,498	1,933,721	(657,560)	(564,274)	1,337,938	1,369,447
Allocated from fund raising and others	75,592	51,768	(75,592)	(51,768)	-	-
Property, plant and equipment purchases	278,346	62,637	(278,346)	(62,637)	-	-
<b>Fund balances, end of the year</b>	<b>\$ 2,273,134</b>	<b>\$ 1,995,498</b>	<b>\$ (726,557)</b>	<b>\$ (657,560)</b>	<b>\$ 1,546,577</b>	<b>\$ 1,337,938</b>

# SUREX COMMUNITY SERVICES

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
<b>Cash flows from operating activities</b>		
Deficiency of revenues over costs - Capital assets fund	\$ (76,302)	\$ (52,628)
Excess of revenues over costs - Operating fund	284,941	21,119
Amortization	169,017	123,712
Gain on disposal of property, plant and equipment	(10,388)	(1,593)
	<u>367,268</u>	90,610
Changes in non-cash working capital balances:		
Grants and accounts receivable	249,684	(273,425)
Prepaid expenses and sundry assets	(50,155)	12,025
Accounts payable and accrued liabilities	(237,224)	546,883
Unearned portion of grants	(82,327)	222,151
	<u>247,246</u>	598,244
<b>Cash flows from investing activities</b>		
Increase in investments	(1,220)	(704)
Purchase of property, plant and equipment	(327,286)	(351,980)
	<u>(328,506)</u>	(352,684)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(81,260)</b>	<b>245,560</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>319,769</b>	<b>74,209</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 238,509</b>	<b>\$ 319,769</b>

# SUREX COMMUNITY SERVICES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

---

### **Purpose of the organization**

Surex Community Services ("Surex") was incorporated under the laws of the Province of Ontario as a non-share capital corporation. It is a registered charitable organization within the meaning of the Income Tax Act and therefore is not subject to income taxes.

Surex is a community based non-profit organization providing support and assistance for adults with developmental disabilities. It provides long-term residential support and day programming to adults (over the age of 18) with a developmental disability. Currently all the residential programs operate on a 24 hours/7 days a week basis.

### **1. Significant accounting policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). Outlined below are the accounting policies considered to be significant.

#### **Revenue recognition**

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 when the amount to be received can be reasonably estimated and its collection is reasonably assured.

Government funding is primarily received from the Ontario Ministry of Community and Social Services ("MCSS") and is generally recorded when received. Grants from MCSS for purchase of land is recognized as revenue at the time the land is purchased.

Capital grants are recognized when the related capital asset is purchased and a charge equivalent to the annual amortization is made to grants receivable.

#### **Financial instruments**

##### **Measurement of financial instruments**

Surex initially measures its financial assets and liabilities at fair value.

Surex subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, grants and accounts receivable.

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



# SUREX COMMUNITY SERVICES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

---

### 1. Significant accounting policies (*continued*)

#### 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 excess (deficiency) of revenues over costs. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance accounts, 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 excess (deficiency) of revenues over costs.

#### Transaction costs

Surex recognizes its transaction costs in the statement of operations and changes in fund balances 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.

#### Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and bank balances.

#### Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is calculated using the methods set out below applied to the cost of the assets, at annual rates based on their estimated useful lives as follows:

Asset	Rate	Method
Buildings	5%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Vehicles	30%	Diminishing balance
Computer equipment	45%	Diminishing balance
Computer software	45%	Diminishing balance
Leasehold improvements	5 years	Straight line

Amortization expense is reported in the capital assets fund.

#### Other

Surex does not inventory food and household supplies. These costs are charged to operations in the year incurred.

# SUREX COMMUNITY SERVICES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

---

### 1. Significant accounting policies (*continued*)

#### **Use of estimates**

The preparation of 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 revenues and costs during the year. Significant estimates used in the preparation of these financial statements include allowance for receivables, prepaid expenses, amortization of property, plant and equipment, and accounts payable and accrued liabilities. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations and changes in fund balances in the year in which they become known.

#### **Donated services**

Donated services assist Surex in carrying out its program activities. Since these services are not normally purchased by Surex and because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

#### **Allocation of expenses**

Surex provides support and assistance for adults with developmental disabilities. It provides long-term residential support and day programming to adults (over the age of 18) with a developmental disability. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the programs. Surex also incurs a number of general support expenses that are common to the administration of Surex and each of its programs.

#### **Impairment of long-lived assets**

Surex reviews long-lived assets for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value. Fair value is generally measured as equal to the estimated future discounted net cash flows from the asset or assets. During fiscal 2019 Surex has determined that no impairment in the carrying value of these assets existed.

# SUREX COMMUNITY SERVICES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

---

### 2. Fund accounting

Surex follows the restricted fund method of accounting for revenues and contributions. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified.

The capital assets fund accounts for Surex's real estate and property, plant and equipment. Surex's operations are primarily funded through various agreements with the Government of Ontario. MCSS provides major funding for the acquisition of all land and buildings. Surex is therefore not free to dispose of these facilities, nor to use the assets for other purposes without consent of the Ministry. The operating fund accounts for all of Surex's other activities.

### 3. Contracts with Ministry of Community and Social Services

Surex has a number of contracts with the MCSS. One requirement of the contracts is the preparation by management of a Transfer Payment Annual Reconciliation report which shows a summary of all revenues and expenditures and any resulting surplus or deficit that relate to the contracts. A review of these reports shows the following as of March 31, 2019.

Program	Detail Code	(Deficit)
ACL (ACL Group Living Supports)	8847	\$ (42,753)
DS (DS Community)	9131	(10,870)

### 4. Investments

	2019	2018
GIC, bearing interest rate at prime less 2.70% per annum and maturing October 24, 2019	\$ 101,923	\$ -
GIC, bearing interest rate at prime less 2.25% per annum and maturing October 25, 2018.	\$ -	\$ 100,704

# SUREX COMMUNITY SERVICES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

### 5. Property, plant and equipment

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Land	\$ 861,270	\$ -	\$ 861,270	\$ 861,270
Buildings	2,854,390	1,475,887	1,378,503	1,341,514
Furniture and fixtures	783,507	691,476	92,031	69,013
Vehicles	261,263	182,650	78,613	41,545
Computer equipment	176,365	147,517	28,848	9,656
Computer software	53,668	45,566	8,102	14,731
Leasehold improvements	407,040	341,366	65,674	6,655
	\$ 5,397,503	\$ 2,884,462	\$ 2,513,041	\$ 2,344,384

Amortization expense for the year amounted to \$169,017 (\$123,712 for 2018).

### 6. Accounts payable and accrued liabilities

	2019	2018
Accounts payable and accrued liabilities	\$ 585,166	\$ 823,103
Government remittances	20,430	19,718
	\$ 605,596	\$ 842,821

### 7. Bank overdraft

Surex has a bank overdraft available under an Operating Account Agreement from the Bank of Montreal ("BMO") for \$250,000. Interest is calculated at the BMO's prime plus 1.25% per annum. The overdraft facility is secured by a general security agreement. The amount outstanding at year end is \$0 (2018 - \$0).

### 8. Public sector salary disclosure

As required under the Public Sector Salary Disclosure Act, 1996, Surex has filed the name of its employee whose salary exceeded \$100,000 during calendar year 2018 with the Government of Ontario and it is available at the following website: [www.fin.gov.on.ca](http://www.fin.gov.on.ca).

# SUREX COMMUNITY SERVICES

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

---

### 9. Financial instruments

#### Risks

Surex is exposed to various risks through its financial instruments. The following analysis presents Surex's exposures to risk at the reporting date, March 31, 2019.

#### Credit risk

Surex is exposed to credit risk with respect to its grants and accounts receivable. Surex assesses, on a continuous basis, amounts it is certain to receive.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Surex is exposed to this risk mainly in respect of accounts payable and accrued liabilities.

#### Concentration risk

Surex receives the majority of its funding from the Ontario Ministry of Community and Social Services ("MCSS"). Surex's viability depends on the continuance of funding from MCSS.

### 10. Contingencies

The nature of Surex's activities is such that there may be years where there is litigation pending or in progress. In some cases, where a potential liability is likely and is able to be estimated, management records its best estimate of the potential liability. In other cases, the ultimate outcome of the claims cannot be determined.