

SUREX COMMUNITY SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2022



SUREX COMMUNITY SERVICES

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MARCH 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Surex Community Services:

Opinion

We have audited the accompanying financial statements of **Surex Community Services** which comprise the statement of financial position as at March 31, 2022, and the statements 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, the accompanying financial statements present fairly, in all material respects, the financial position of **Surex Community Services** as at March 31, 2022, 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 Opinion

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.

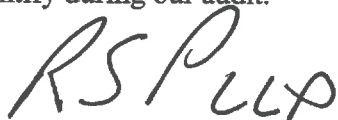
Auditor's Responsibilities for the Audit of the Financial Statements

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
June 28, 2022

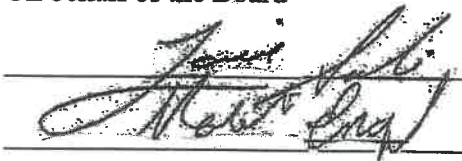
SUREX COMMUNITY SERVICES

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

	2022	2021 (Note 13)
ASSETS		
Current assets		
Cash	\$ 319,023	\$ 873,495
Investments (Note 5)	1,054,102	103,843
Grants and accounts receivable	278,350	81,680
Sales tax receivable	67,046	67,763
Prepaid expenses and sundry assets	116,545	134,476
	1,835,066	1,261,257
Property, plant and equipment (Note 6)	2,422,240	2,454,289
	\$ 4,257,306	\$ 3,715,546
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,206,608	\$ 776,548
Payroll deductions payable	76,085	67,437
Unearned portion of grants	904,264	935,995
	2,186,957	1,779,980
Fund balances (Note 3)		
Capital assets fund	2,478,763	2,421,959
Operating fund	(408,414)	(486,393)
	2,070,349	1,935,566
	\$ 4,257,306	\$ 3,715,546

On behalf of the Board



Director

Director

Commitments (Note 8)

Contingencies (Note 11)

See accompanying notes to the financial statements

SUREX COMMUNITY SERVICES

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2022

	Capital Assets Fund		Operating Fund		Total	
	2022	2021 (Note 13)	2022	2021 (Note 13)	2022	2021 (Note 13)
Revenues						
Grants	\$ 49,731	\$ 52,574	\$6,263,321	\$6,263,321	\$6,313,052	\$6,315,895
Family benefits allowance	-	-	612,272	615,601	612,272	615,601
Government assistance (Note 12)	-	-	462,252	527,886	462,252	527,886
Sales tax refund	-	-	120,564	116,026	120,564	116,026
Others	-	-	52,869	26,908	52,869	26,908
Fund raising	-	-	39,186	45,650	39,186	45,650
Interest income	-	-	1,189	414	1,189	414
Repayment of prior year surplus	-	-	(270,460)	-	(270,460)	-
	49,731	52,574	7,281,193	7,595,806	7,330,924	7,648,380
Costs						
Salaries	-	-	5,152,531	5,227,058	5,152,531	5,227,058
Benefits	-	-	720,193	733,015	720,193	733,015
Purchased services	-	-	344,817	430,691	344,817	430,691
Premises	-	-	194,424	198,516	194,424	198,516
Utilities and taxes	-	-	151,173	131,131	151,173	131,131
Food	-	-	139,513	131,927	139,513	131,927
Supplies	-	-	83,528	112,082	83,528	112,082
Staff training	-	-	68,682	16,299	68,682	16,299
Vehicle	-	-	61,009	51,482	61,009	51,482
Insurance	-	-	56,700	45,402	56,700	45,402
Personal needs	-	-	53,311	51,380	53,311	51,380
Staff travel	-	-	13,971	14,997	13,971	14,997
Repairs and maintenance	-	-	7,735	8,807	7,735	8,807
Replacements	-	-	6,393	8,721	6,393	8,721
Advertising	-	-	2,161	25,939	2,161	25,939
Amortization	140,000	136,600	-	-	140,000	136,600
	140,000	136,600	7,056,141	7,187,447	7,196,141	7,324,047
Excess (deficiency) of revenues over costs	(90,269)	(84,026)	225,052	408,359	134,783	324,333
Fund balances, beginning of the year	2,421,959	2,368,833	(486,393)	(757,600)	1,935,566	1,611,233
Allocated from fund raising and others	39,121	45,615	(39,121)	(45,615)	-	-
Property, plant and equipment purchases	107,952	91,537	(107,952)	(91,537)	-	-
Fund balances, end of the year	\$2,478,763	\$2,421,959	\$ (408,414)	\$ (486,393)	\$2,070,349	\$1,935,566

See accompanying notes to the financial statements

SUREX COMMUNITY SERVICES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021 (Note 13)
Cash flows from operating activities		
Deficiency of revenues over costs - Capital assets fund	\$ (90,269)	\$ (84,026)
Excess of revenues over costs - Operating fund	225,052	408,359
Amortization	140,000	136,600
	<u>274,783</u>	460,933
Changes in non-cash working capital balances:		
Grants and accounts receivable	(195,954)	44,001
Prepaid expenses and sundry assets	17,931	(17,693)
Accounts payable and accrued liabilities	430,062	282,958
Payroll deductions payable	8,648	7,133
Unearned portion of grants	(31,731)	(52,574)
	<u>503,739</u>	724,758
Cash flows from investing activities		
Purchase of property, plant and equipment	(107,952)	(91,537)
Increase in investments	(950,259)	(649)
	<u>(1,058,211)</u>	(92,186)
Increase (decrease) in cash and cash equivalents	(554,472)	632,572
Cash and cash equivalents, beginning of the year	873,495	240,923
Cash and cash equivalents, end of the year	\$ 319,023	\$ 873,495

See accompanying notes to the financial statements

SUREX COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

1. Nature of organization and COVID-19

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 not-for-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 per day, 7 days a week basis.

These financial statements have been prepared using the going concern assumption meaning that the assets and liabilities of Surex will be realized and discharged in the normal course of operations. However, on March 11, 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic, leading to unprecedented actions taken by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility in the not-for-profit sector, and have had an enormous impact on organizations and consumers in all sectors. The outcome and timeframe is highly unpredictable and as such, the financial impact to Surex cannot be estimated.

2. 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 Children, Community and Social Services ("MCCSS") and is generally recorded when received. Grants from MCCSS for purchase of land are 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.

Family benefits allowance is revenue paid by resident in respect of accommodation and care service provided and is recognized when the services are provided.

SUREX COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

2. Significant accounting policies *(continued)*

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 include accounts payable and accrued liabilities and unearned portion of grants.

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.

SUREX COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

2. Significant accounting policies *(continued)*

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	30%	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.

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, accounts payable and accrued liabilities, and unearned portion of grants. 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.

SUREX COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

2. Significant accounting policies (*continued*)

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 2022 Surex has determined that no impairment in the carrying value of these assets existed.

Government assistance

Surex follows the income approach to recognize government assistance. This approach requires government assistance to be credited to income when related to current expenditures. Wage subsidies are accounted for as other income in the year the related wages are incurred.

3. 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. MCCSS 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.

SUREX COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

4. Contracts with Ministry of Children, Community and Social Services

Surex has a number of contracts with the MCCSS. One requirement of the contracts is the preparation by management of a 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, 2022.

Program	Detail Code	Surplus
ACL (ACL Group Living Supports)	F660	\$ 340,002
DS (DS Community)	F704	8,370

5. Investments

	2022	2021
GIC, redeemable, bearing interest rate at 0.25% per annum and maturing November 1, 2022.	\$ 500,000	\$ -
GIC, redeemable, bearing interest rate at 0.25% per annum and maturing December 6, 2022.	250,000	-
GIC, bearing interest rate at 1.7% per annum and maturing March 23, 2023.	200,000	-
GIC, bearing interest rate at prime less 2.40% per annum and maturing October 20, 2022.	104,102	-
GIC, bearing interest rate at prime less 2.20% per annum and maturing October 22, 2021.	-	103,843
	\$ 1,054,102	\$ 103,843

SUREX COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

6. Property, plant and equipment

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Land	\$ 861,270	\$ -	\$ 861,270	\$ 861,270
Buildings	3,076,385	1,695,107	1,381,278	1,372,419
Furniture and fixtures	838,601	756,447	82,154	100,858
Vehicles	273,870	234,299	39,571	38,520
Computer equipment	214,001	185,759	28,242	35,344
Computer software	53,668	52,320	1,348	2,451
Leasehold improvements	427,320	398,943	28,377	43,427
	\$ 5,745,115	\$ 3,322,875	\$ 2,422,240	\$ 2,454,289

Amortization expense for the year amounted to \$140,000 (\$136,600 for 2021).

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 (2021 - \$0).

8. Commitments

Surex is committed under two long-term leases for premises which expire on March 31, 2023 and December 31, 2023 respectively. Combined minimum annual rentals for each of the next four years are approximately as follows:

2023	\$ 75,527
2024	16,947
	\$ 92,474

9. 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 2021 with the Government of Ontario and it is available at the following website: www.fin.gov.on.ca.

SUREX COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

10. 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, 2022.

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. Overall credit risk will increase this year due to the unknown impacts of the COVID-19 pandemic that will have on Surex's clients' ability to pay. Surex continually monitors the financial condition of its accounts receivable to reduce the risk of loss. Surex maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

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 Children, Community and Social Services ("MCCSS"). Surex's viability depends on the continuance of funding from MCCSS.

11. 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.

During the year, Surex has been named as a defendant in a legal action by a former employee. The action seeks damages of \$35,000. Surex's legal counsel is currently unable to determine the expected outcome or potential liability, if any, of this action. It is Surex's intention to defend this action.

SUREX COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

12. Government assistance

The government of Canada launched the Temporary Wage Subsidy ("TWS") for employers whose business have been effected by COVID-19 in order to enable businesses to rehire workers, help prevent further job losses, and resume normal operations following the crisis.

The government of Ontario provided the COVID-19 Residential Relief Fund ("CRRF"), Pandemic Pay Subsidy and Temporary Wage Enhancement to help manage the health and safety of children, youth and adults supported in residential settings, as well as support employee who work in congregate care settings or primarily with vulnerable populations, where maintaining physical distance is difficult or not possible.

Surex was approved TWS, CRRF, Pandemic Pay Subsidy and Temporary Wage Enhancement for the qualifying period in the fiscal year and as of March 31, 2022 Surex has received \$nil (2021 - \$9,769) of TWS, \$82,504 (2021 - \$54,678) of CRRF, \$nil (2021 - \$228,107) of Pandemic Pay Subsidy, and \$379,748 (2021 - \$235,332) of Temporary Wage Enhancement.

13. Comparative figures

Certain comparative figures for the year ended March 31, 2022 have been reclassified to conform with current financial statement presentation. This has had no effect on the excess (deficiency) of revenues over costs for the year or fund balances.