

FINANCIAL STATEMENTS
For
INNOVATIVE COMMUNITY SUPPORT SERVICES
For year ended
MARCH 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the directors of

INNOVATIVE COMMUNITY SUPPORT SERVICES

Opinion

We have audited the financial statements of Innovative Community Support Services (the Organization), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, 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 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 the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
July 27, 2023.

INNOVATIVE COMMUNITY SUPPORT SERVICES

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 543,325	\$ 581,622
Accounts receivable	417,346	465,168
HST receivable	164,679	172,485
Prepaid expenses and deposits	<u>170,966</u>	<u>160,148</u>
	1,296,316	1,379,423
TANGIBLE CAPITAL ASSETS - note 4	<u>8,230,519</u>	<u>8,431,742</u>
	<u>\$ 9,526,835</u>	<u>\$ 9,811,165</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 126,747	\$ 858,430
Employer remittances payable	23,837	46,022
Deferred contributions - note 5	575,012	51,403
Term loans - note 6	880,280	938,788
Current portion of vehicle loans - note 7	<u>2,634</u>	<u>13,487</u>
	1,608,510	1,908,130
LONG TERM LIABILITIES		
Vehicle loans - note 7	-	2,634
DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS - note 8	<u>3,483,711</u>	<u>3,778,963</u>
	<u>5,092,221</u>	<u>5,689,727</u>
NET ASSETS		
Unrestricted	570,720	423,568
Internally restricted for tangible capital assets - note 9	<u>3,863,894</u>	<u>3,697,870</u>
	<u>4,434,614</u>	<u>4,121,438</u>
	<u>\$ 9,526,835</u>	<u>\$ 9,811,165</u>

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

INNOVATIVE COMMUNITY SUPPORT SERVICES

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2023

	<u>Unrestricted</u>	Internally restricted for tangible <u>capital assets</u>	<u>2023 Total</u>	<u>2022 Total</u>
Balance, beginning of year	\$ 423,568	\$ 3,697,870	\$ 4,121,438	\$ 3,428,061
Excess of revenue over expenses (expenses over revenue)	686,515	(373,339)	313,176	405,377
Invested in tangible capital assets - net of related grant and loan advances and repayments	(539,363)	539,363	-	-
Contribution of land - note 4	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,000</u>
Balance, end of year	<u>\$ 570,720</u>	<u>\$ 3,863,894</u>	<u>\$ 4,434,614</u>	<u>\$ 4,121,438</u>

(See accompanying notes)

INNOVATIVE COMMUNITY SUPPORT SERVICES

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Revenue		
Ministry of Children, Community and Social Services	\$ 12,395,394	\$ 12,232,301
Fees for services	1,966,597	1,788,560
Amortization of deferred contributions related to tangible capital assets	295,252	295,252
Social enterprise	41,362	29,859
The Ottawa Hospital	33,731	404,772
Other	<u>97,448</u>	<u>71,917</u>
	<u>14,829,784</u>	<u>14,822,661</u>
Expenses		
Advertising and promotion	113,846	69,787
Amortization of tangible capital assets	668,591	653,639
Bank charges	20,236	24,235
Day program	171,063	114,688
Food and supplies	359,838	312,380
Home and day program rental and property taxes	1,062,020	998,498
Insurance	140,564	116,607
Interest on loans	50,193	28,702
Office	97,681	84,007
Professional fees	49,973	37,396
Repairs and maintenance	849,109	851,172
Residents' personal expenses	28,590	38,624
Salaries and benefits	9,887,097	10,144,205
Subcontracted services	350,699	350,699
Staff development	33,733	8,451
Telecommunications	149,885	140,107
Utilities	127,063	114,117
Vehicle and travel	<u>356,427</u>	<u>329,970</u>
	<u>14,516,608</u>	<u>14,417,284</u>
Excess of revenue over expenses	<u>\$ 313,176</u>	<u>\$ 405,377</u>

(See accompanying notes)

INNOVATIVE COMMUNITY SUPPORT SERVICES

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 313,176	\$ 405,377
Adjustments for:		
Amortization of tangible capital assets	668,591	653,639
Amortization of deferred contributions related to tangible capital assets	<u>(295,252)</u>	<u>(295,252)</u>
	686,515	763,764
Changes in non-cash working capital components:		
Accounts receivable	47,822	(4,383)
HST receivable	7,806	(24,859)
Prepaid expenses and deposits	(10,818)	(12,690)
Accounts payable and accrued liabilities	(731,683)	442,048
Employer remittances payable	(22,185)	30,950
Deferred contributions	<u>523,609</u>	<u>(13,229)</u>
	<u>501,066</u>	<u>1,181,601</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(467,368)</u>	<u>(862,564)</u>
FINANCING ACTIVITIES		
Bank loan repayments	(58,508)	(58,508)
Vehicle loan repayments	(13,487)	(13,486)
Contributions received for purchase of tangible capital assets	<u>-</u>	<u>257,140</u>
	<u>(71,995)</u>	<u>185,146</u>
INCREASE (DECREASE) IN CASH	(38,297)	504,183
CASH, BEGINNING OF YEAR	<u>581,622</u>	<u>77,439</u>
CASH, END OF YEAR	\$ <u>543,325</u>	\$ <u>581,622</u>

(See accompanying notes)

INNOVATIVE COMMUNITY SUPPORT SERVICES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

1. NATURE OF OPERATIONS

Innovative Community Support Services (the Organization) is incorporated as a not-for-profit organization without share capital under the laws of Ontario. It is engaged in providing individuals with developmental disabilities and their families with innovative, high quality and cost effective community based programs and services that promote a strong sense of well being while making a positive contribution to the community. Currently eighteen homes are operated in the Ottawa area. The Organization is a registered charity and, as such, is exempt from income taxes. The Organization is dependent on government grants and donations to provide its services.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions with respect to the acquisition of tangible capital assets that are amortized are deferred and amortized to revenue on the same basis as the related tangible capital asset is amortized to expense. Restricted contributions with respect to the acquisition of tangible capital assets that are not amortized are recognized as direct increases in net assets. 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. Unrestricted investment income, rental income and day program income are recognized as revenue when earned.

Tangible capital assets

Purchased tangible capital assets are stated at acquisition cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is based on the estimated useful life of the asset using straight-line method at the following rates:

Buildings	25 years
Computer equipment	1 to 3 years
Furniture and equipment	5 years
Vehicles	7 years
Parking lot and land improvements	13 years
Leasehold improvements	over the term of the lease

One half of the above rates is used in the year of acquisition. Tangible capital assets not yet put into use at year end are not amortized.

Contributed services

Members contribute many hours each year to assist the Organization. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

INNOVATIVE COMMUNITY SUPPORT SERVICES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value adjusted by transaction costs. They subsequently measure all non-cash financial assets and financial liabilities at amortized cost at the year end date.

Use of estimates

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 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 expenses during the reporting period. Management makes accounting estimates when determining the estimated useful life of the Organization's tangible capital assets, deferred contributions and the value of contributed tangible capital assets. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Organization is exposed to the following risks related to its financial instruments, substantially unchanged from the prior year:

Credit risk

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 resulting from the possibility that parties may default on their financial obligations. The Organization's maximum exposure to credit risk is the sum of the carrying value of its cash and accounts receivable. The Organization's cash are on deposit with a Canadian chartered bank and as a result, management believes the risk of loss on these items to be remote. Accounts receivable is primarily comprised of amounts owing from provincial and local government organizations and residents which are expected to be collected.

Liquidity risk

Liquidity risk is the risk that the Organization cannot meet its debts when they become due. The Organization's management manages this risk by reviewing its expected future cash flow requirements.

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 risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Organization's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

INNOVATIVE COMMUNITY SUPPORT SERVICES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

3. FINANCIAL INSTRUMENTS - Cont'd.

Market risk - Cont'd.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Organization's bank loans bear interest at floating interest rates. The Organization is exposed to cash flow variances on its variable rate debt.

iii) *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 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.

The Organization does not have investments in publicly-traded securities or derivative financial instruments that would be subject to price changes in the open market. Therefore, the Organization is not exposed to significant other price risk.

Changes in risk

There have been no significant changes in the Organization's risk exposures from the prior year.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land	\$ 1,121,721	\$ -	\$ 1,121,721	\$ -
Buildings	9,526,361	4,246,568	9,347,812	3,887,795
Computer equipment	98,675	75,519	90,241	59,414
Furniture and equipment	611,075	547,740	602,812	510,458
Vehicles	416,639	370,707	416,639	347,274
Parking lot and land improvements	539,709	160,962	327,822	127,595
Leasehold improvements	<u>2,248,721</u>	<u>930,886</u>	<u>2,188,484</u>	<u>731,253</u>
	14,562,901	<u>\$ 6,332,382</u>	14,095,531	<u>\$ 5,663,789</u>
Accumulated amortization	<u>6,332,382</u>		<u>5,663,789</u>	
	<u>\$ 8,230,519</u>		<u>\$ 8,431,742</u>	

The Ontario Ministry of Children, Community and Social Services (MCCSS) funded most of the property and equipment and retains an interest in these assets. Therefore, their approval must be obtained for any disposition or change of use of these assets.

Included in buildings is \$520,695 (2022 - \$610,812) which relates to major renovations not yet completed. During the year, no amortization was taken on this amount.

INNOVATIVE COMMUNITY SUPPORT SERVICES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

5. DEFERRED CONTRIBUTIONS

Deferred contributions is made up of the following activity:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 51,403	\$ 214,632
Amounts received in the year	575,012	299,154
Amounts recognized as revenue	<u>(51,403)</u>	<u>(462,383)</u>
Balance at end of year	<u>\$ 575,012</u>	<u>\$ 51,403</u>

6. CREDIT FACILITIES

Credit arrangements

The Organization has credit facilities with an authorized limit of \$2,395,000 available to it with a Canadian chartered bank. Included within this limit are an operating line of credit, revolving term loans, and business credit card accounts.

Operating line of credit

The operating line of credit has a limit of \$685,000, and bears interest at the bank's prime rate plus 0.5%.

The amount drawn on the credit facility as at March 31, 2023 was \$nil (2022 - \$nil).

Term loans

	<u>2023</u>	<u>2022</u>
Term loan 01, payable in monthly instalments of principal of \$1,521 plus interest at bank prime + 0.5%, due on demand.	\$ 247,896	\$ 266,146
Term loan 02, payable in monthly instalments of principal of \$1,646 plus interest at bank prime + 0.5%, due on demand.	306,125	325,875
Term loan 03, payable in monthly instalments of principal of \$1,709 plus interest at bank prime + 0.5%, due on demand.	<u>326,259</u>	<u>346,767</u>
	<u>\$ 880,280</u>	<u>\$ 938,788</u>

The above term loans are presented as current liabilities as they are due on demand. However based on present repayment terms, the principal repayments over the remaining term are estimated to be as follows:

2024	\$ 58,508
2025	58,508
2026	58,508
2027	58,508
2028	58,508
2029 and future	587,740

Security

To secure these credit facilities, the bank holds a general security agreement over all personal and movable property, and collateral mortgages / hypothecs totaling \$2,395,000 on real estate with book values totaling \$3,480,119. The Organization is subject to additional conditions including the maintenance of a minimum debt service ratio, and is in compliance with these requirements.

INNOVATIVE COMMUNITY SUPPORT SERVICES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

7. VEHICLE LOANS

	<u>2023</u>	<u>2022</u>
Loan payable - interest at 0%, due May 25, 2023, payable in fixed monthly instalments of \$358, secured by a vehicle having a net book value of \$1,978	\$ 716	\$ 5,006
Loan payable - interest at 0%, due June 1, 2023, payable in fixed monthly instalments of \$385, secured by a vehicle having a net book value of \$2,122	1,154	5,771
Loan payable - interest at 0%, due May 25, 2023, payable in fixed monthly instalments of \$382, secured by a vehicle having a net book value of \$2,105	<u>764</u>	<u>5,344</u>
	2,634	16,121
Less current portion	<u>2,634</u>	<u>13,487</u>
	<u>\$ -</u>	<u>\$ 2,634</u>

Principal repayments over the remaining terms are estimated to be as follows:

2024	\$ 2,634
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8. DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

Deferred contributions related to tangible capital assets represent contributed tangible capital assets and restricted contributions received from MCCSS and from donors, with which the tangible capital assets were originally purchased. The change in the deferred contributions balance for the year is as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 3,778,963	\$ 3,498,375
Add:		
Contributions for tangible capital assets	-	257,140
Value of contributed assets	-	606,700
Less:		
Amounts amortized to revenue for the year	(295,252)	(295,252)
Amounts received for assets not amortized	<u>-</u>	<u>(288,000)</u>
Balance, end of year	<u>\$ 3,483,711</u>	<u>\$ 3,778,963</u>

INNOVATIVE COMMUNITY SUPPORT SERVICES
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

9. INTERNALLY RESTRICTED FOR TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Tangible capital assets	\$ 8,230,519	\$ 8,431,742
Less:		
Deferred contributions related to tangible capital assets	(3,483,711)	(3,778,963)
Term loans for properties	(880,280)	(938,788)
Vehicle loans	<u>(2,634)</u>	<u>(16,121)</u>
	<u>\$ 3,863,894</u>	<u>\$ 3,697,870</u>

10. ECONOMIC DEPENDENCE

A significant portion of the Organization's funding is provided by the Ontario Ministry of Children, Community and Social Services. The organization's continued existence is dependent on this funding.

11. ECONOMIC INTEREST

ICSS Foundation ("the Foundation") is a separately incorporated public foundation whose mission is to raise and manage donations for Innovative Community Support Services. The results of the Foundation are not consolidated with the results of the organization.

12. CONTINGENCIES

The Organization has provided an unlimited guaranteed with respect to the bank loan of ICSS Foundation in the amount of \$488,000, which provided funding for and is also secured by a property rented to the Organization by the Foundation. As at March 31, 2023 the amount of the loan stood at \$388,333 (2022 - \$463,600).

13. COMMITMENTS

The Organization is committed to the following annual minimum real estate rental payments including estimated operating costs (excluding sales taxes and subject to additional charges for increases in operating costs) over the next five years:

2024	\$ 862,800
2025	870,000
2026	853,900
2027	145,500
2028	120,000
Thereafter	<u>786,900</u>
	<u>\$ 3,639,100</u>

In addition, the Organization is committed to vehicle operating leases. The minimum payments (excluding sales taxes) under these leases are as follows:

2024	\$ 120,512
2025	104,584
2026	57,613
2027	41,536
2028	<u>22,138</u>
	<u>\$ 346,383</u>