

**PROGRESS PLACE REHABILITATION CENTRE
(METROPOLITAN TORONTO) INC.**

Financial Statements

March 31, 2020

PROGRESS PLACE REHABILITATION CENTRE (METROPOLITAN TORONTO) INC.

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Year Ended March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Progress Place Rehabilitation Centre (Metropolitan Toronto) Inc.

Opinion

We have audited the financial statements of Progress Place Rehabilitation Centre (Metropolitan Toronto) Inc. ("Progress Place"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and 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 Progress Place as at March 31, 2020, 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 Progress Place 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 those 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 Progress Place's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Progress Place or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Progress Place'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.

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Independent Auditor's Report to the Directors of Progress Place Rehabilitation Centre (Metropolitan Toronto) Inc.
(continued)

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 entity'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 entity'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 entity 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
June 23, 2020

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

PROGRESS PLACE REHABILITATION CENTRE (METROPOLITAN TORONTO) INC.

Statement of Financial Position

As at March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 381,568	\$ 230,767
Harmonized Sales Tax recoverable	31,894	25,149
Accounts receivable	91,359	51,430
Prepaid expenses	81,633	77,052
	<u>586,454</u>	384,398
INVESTMENTS (Note 3)	529,388	587,302
CAPITAL ASSETS (Note 4)	<u>1,298,906</u>	1,328,005
	<u>\$ 2,414,748</u>	<u>\$ 2,299,705</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 3)	\$ 223,123	\$ 187,498
Deferred revenues (Note 6)	142,043	82,668
	<u>365,166</u>	270,166
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES (Note 6)	<u>1,214,121</u>	1,220,975
	1,579,287	1,491,141
NET ASSETS		
UNRESTRICTED	<u>835,461</u>	808,564
	<u>\$ 2,414,748</u>	<u>\$ 2,299,705</u>
CONTINGENCY (Note 8)		

APPROVED ON BEHALF OF THE BOARD

Carrie Shaw Director

TASA Director

See the accompanying notes to these financial statements

PROGRESS PLACE REHABILITATION CENTRE (METROPOLITAN TORONTO) INC.

Statement of Operations and Changes in Net Assets

Year Ended March 31, 2020

	Operations	Community Support Programs	2020	2019
REVENUES				
Grants <i>(Note 4)</i>				
LHIN	\$ 2,705,208	\$ -	\$ 2,705,208	\$ 2,704,915
MOHLTC	283,378	-	283,378	268,296
City of Toronto	-	271,451	271,451	208,456
Housing Connections Supplement	42,281	-	42,281	44,097
Federal	-	41,833	41,833	46,825
Resource development	-	180,463	180,463	139,614
Amortization of deferred contributions for capital asset purchases <i>(Note 6)</i>	114,785	-	114,785	110,342
Rents	13,730	-	13,730	13,386
Interest	-	12,086	12,086	11,566
	<u>3,159,382</u>	<u>505,833</u>	<u>3,665,215</u>	<u>3,547,497</u>
EXPENSES				
Salaries and benefits	2,288,275	228,100	2,516,375	2,530,625
Program supplies and other <i>(Note 7)</i>	308,790	147,619	456,409	422,932
Housing programs <i>(Note 7)</i>	319,760	-	319,760	308,464
Amortization of capital assets	114,784	22,246	137,030	132,587
Building	73,769	40,500	114,269	102,440
Equipment	38,235	26,699	64,934	27,309
Professional fees	15,769	13,772	29,541	23,140
	<u>3,159,382</u>	<u>478,936</u>	<u>3,638,318</u>	<u>3,547,497</u>
EXCESS OF REVENUES OVER EXPENSES	-	26,897	26,897	-
NET ASSETS - BEGINNING OF YEAR	-	808,564	808,564	808,564
NET ASSETS - END OF YEAR	\$ -	\$ 835,461	\$ 835,461	\$ 808,564

See the accompanying notes to these financial statements

PROGRESS PLACE REHABILITATION CENTRE (METROPOLITAN TORONTO) INC.**Statement of Cash Flows
Year Ended March 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 26,897	\$ -
Items not affecting cash:		
Amortization of deferred contributions for capital asset purchases	(114,785)	(110,342)
Amortization of capital assets	137,030	132,587
	<u>49,142</u>	<u>22,245</u>
Changes in non-cash working capital:		
Harmonized Sales Tax recoverable	(6,745)	17,801
Accounts receivable	(39,929)	19,297
Prepaid expenses	(4,581)	(2,549)
Accounts payable and accrued liabilities	35,625	106,846
Deferred revenues	59,375	(18,879)
	<u>43,745</u>	<u>122,516</u>
Cash flows from operating activities	<u>92,887</u>	<u>144,761</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(107,931)	(9,250)
Proceeds from redemption (purchase) of investments, net	57,914	(11,566)
Cash flows used by investing activities	<u>(50,017)</u>	<u>(20,816)</u>
FINANCING ACTIVITY		
Capital asset grants received	107,931	9,250
INCREASE IN CASH	150,801	133,195
CASH - BEGINNING OF YEAR	230,767	97,572
CASH - END OF YEAR	\$ 381,568	\$ 230,767

See the accompanying notes to these financial statements

PROGRESS PLACE REHABILITATION CENTRE (METROPOLITAN TORONTO) INC.

Notes to Financial Statements

Year Ended March 31, 2020

1. PURPOSE OF THE ORGANIZATION

Progress Place Rehabilitation Centre (Metropolitan Toronto) Inc. ("Progress Place") was incorporated under the laws of the Province of Ontario on January 16, 1984 as a corporation without share capital to function exclusively as a charitable organization. A primary objective of Progress Place is to provide rehabilitation and housing for persons with severe and persistent mental illness. Progress Place is a certified training base in the clubhouse model of psychosocial rehabilitation.

Progress Place receives the majority of its funding from the Government of Ontario in the form of permanent funding and occasional one-time grants.

Progress Place is a registered charitable organization under the Income Tax Act (Canada) and as such is exempt from income taxes.

2. SUMMARY OF ACCOUNTING POLICIES

The financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies.

Revenue recognition

Progress Place follows the deferral method of accounting for contributions.

Restricted contributions, including grants, are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Resource development revenues from training fees are recognized when training services and activities have been provided.

Resource development revenues from fundraising events and donations are recognized when received.

Rent revenue is recognized on the first of the month for the period covered by the rent.

Interest received during the year are recognized as revenues when earned.

Financial instruments

Progress Place initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets, except for investments, and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities measured at amortized cost include accounts payable.

Investments are measured at fair value.

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PROGRESS PLACE REHABILITATION CENTRE (METROPOLITAN TORONTO) INC.

Notes to Financial Statements

Year Ended March 31, 2020

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Capital assets

Capital asset expenditures in excess of \$5,000 are recorded on the statement of financial position at cost. Amortization is provided on a straight-line basis over the useful life of the assets, which are 20 years for the building and building improvements; 5 to 10 years for furniture and equipment; and 3 years for computer equipment.

Expenditures on capital assets of \$5,000 or less are expensed in the statement of operations.

Capitalized building improvements costs include pre-construction costs essential to the development of improvements, development costs, construction costs and general and administrative costs incurred to the date of substantial completion.

Contributions for the purchase of capital assets are initially deferred on the statement of financial position and then amortized as revenues in the statement of operations on the same basis as the related capital asset costs are amortized.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Such estimates are periodically reviewed and any adjustments necessary are reported in excess of revenues over expenses in the year in which they become known. Such estimates include useful life of capital assets and collectability of accounts receivable. Actual results could differ from these estimates.

Donations in kind

Revenues from donations in kind and their corresponding assets and expenses are not reflected in the financial statements.

Contributed services

Volunteers contribute time to assist Progress Place in carrying out its programs. Since Progress Place would not otherwise purchase these services, contributed services are not recognized in the financial statements.

3. FINANCIAL INSTRUMENTS

Investments, which are stated at fair value, consist of investment grade Canadian financial institution guaranteed investment certificates, having maturity dates from April 2020 to May 2021 and interest rates ranging from 2.1% to 2.7%, as well as money market mutual funds.

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2019 - \$13,150).

Progress Place is exposed to various risks through its financial instruments. Credit risk on accounts receivable is mitigated by close monitoring of outstanding balances and assessment of estimated realizable value. Cash consists of cash on hand and deposits held at a major Canadian financial institution. Interest rate risk on its fixed rate guaranteed investment certificates is mitigated by matching the maturities of such certificates to expected cash flow requirements. Market risk associated with investments is reduced to a minimum since these assets are invested in investment grade guaranteed instruments. Liquidity risk is mitigated as cash balances are sufficient to cover accounts payable as they become due.

PROGRESS PLACE REHABILITATION CENTRE (METROPOLITAN TORONTO) INC.

Notes to Financial Statements

Year Ended March 31, 2020

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Building improvements	\$ 2,873,883	\$ 1,730,501	\$ 1,143,382	\$ 1,229,693
Furniture and equipment	510,208	354,684	155,524	98,312
Building	3,042,200	3,042,200	-	-
	<u>\$ 6,426,291</u>	<u>\$ 5,127,385</u>	<u>\$ 1,298,906</u>	<u>\$ 1,328,005</u>

A substantial portion of capital asset purchases have been funded by capital asset grants (*Note 6*).

5. DEFERRED REVENUES

Deferred revenues as at March 31 consist of the following:

	2020	2019
Resource development	\$ 91,624	\$ 32,560
Tenant rental deposits	50,419	49,927
Other	-	181
	<u>\$ 142,043</u>	<u>\$ 82,668</u>

The continuity of deferred revenues for the year is as follows:

Balance, beginning of year	\$ 82,668	\$ 101,547
Add: amounts received during the year	253,567	134,121
Less: amounts recognized as revenues in the year	(194,192)	(153,000)
Balance, end of year	<u>\$ 142,043</u>	<u>\$ 82,668</u>

6. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSET PURCHASES

The continuity of deferred contributions for capital asset purchases is as follows:

	2020	2019
Balance, beginning of year	\$ 1,220,975	\$ 1,322,067
Add: amounts received in the year	107,931	9,250
Less: amounts recognized as revenues in the year	(114,785)	(110,342)
Balance, end of year	<u>\$ 1,214,121</u>	<u>\$ 1,220,975</u>

The Ontario Ministry of Health and Ontario Trillium Foundation have provided funding for building improvements and other capital assets.

7. COMPARATIVE FIGURES

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

PROGRESS PLACE REHABILITATION CENTRE (METROPOLITAN TORONTO) INC.

Notes to Financial Statements

Year Ended March 31, 2020

8. CONTINGENCY

During the year, Progress Place was one of several organizations named in a legal claim from a former visitor. As this legal claim is in the early discovery stages, the outcome or a possible liability, if any, are not determinable at this time. Accordingly, no amount has been included in these financial statements related to this matter.

Coverage of this matter is under assessment with Progress Places' insurance company. Currently, the insurance company has retained a lawyer to assess this matter.

9. SIGNIFICANT EVENT

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results of Progress Place in future periods. Progress Place continues to closely monitor and assess the impact on operations.
