

**THE VITANOVA FOUNDATION**

**Auditor's Report**

**Financial Statements**

**March 31, 2019**



## INDEPENDENT AUDITOR'S REPORT

To the Members of The Vitanova Foundation:

We have audited the accompanying financial statements of The Vitanova Foundation, which comprise the statement of financial position as at March 31, 2019 and the statements of operations and change in accumulated operating surplus and cash flows for the year then ended, and 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.

### Auditor's 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 of 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair representation 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 controls. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Vitanova Foundation derives revenues from the general public in the form of donations and fundraising functions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues was limited to the amounts recorded in the records of the Vitanova Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenues, operating surplus and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and March 31, 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Vitanova Foundation 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.



CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants  
Vaughan, Ontario  
June 25, 2019

# THE VITANOVA FOUNDATION

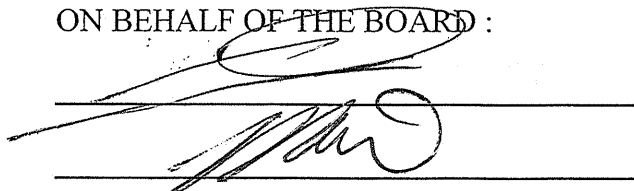
## Statement of Financial Position

As at March 31, 2019

	2019	2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 4)	\$ 367,997	\$ 234,175
HST receivable and other receivables (note 5)	37,418	86,161
Holdback receivable (note 6)	73,020	73,020
Prepaid expenses	1,901	1,901
	480,336	395,257
Investment (note 7)	62,000	63,071
Funds, held in trust, Chapel (note 8)	49,000	42,835
Funds, held in trust, Women's Treatment Centre (note 9)	81,670	-
Capital assets (note 10)	467,464	360,660
	\$ 1,140,470	\$ 861,823
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 50,905	\$ 7,287
Employee tax deductions payable	20,106	31,186
Current portion of deferred revenue (note 11)	100,695	15,534
	171,706	54,007
Deferred revenue (note 11)	125,400	48,111
	297,106	102,118
<b>Accumulated surplus</b>	843,364	759,705
	\$ 1,140,470	\$ 861,823

### Contingency (note 12)

ON BEHALF OF THE BOARD :



Director

Director

See accompanying notes.

# THE VITANOVA FOUNDATION

## Statement of Operations and Change in Accumulated Operating Surplus

Year Ended March 31, 2019

	2019	2018
Revenues		
Donations and fundraising activities	\$ 603,890	\$ 633,314
Government grants (note 12)	872,317	840,153
Other revenue-Ontario Works	32,391	7,609
Investment revenue	425	174
	1,509,023	1,481,250
Expenditures		
Accounting, audit and legal	43,812	37,809
Advertising and promotion	4,520	1,694
Amortization	51,253	54,453
Auto lease, repairs and travel	20,302	19,802
Consulting fees	14,795	19,222
Food	35,705	36,931
Insurance	14,277	13,867
Office and general	38,441	40,890
Fundraising expenses	137,799	157,245
Program and housekeeping	31,261	13,657
Rent and utilities (note 3)	130,299	131,810
Salaries and benefits	835,205	809,702
Telephone	14,612	12,916
Realty taxes	17,197	17,897
Repairs and maintenance	35,886	21,764
	1,425,364	1,389,659
Operating surplus	83,659	91,591
Accumulated operating surplus, beginning of year	759,705	668,114
Accumulated operating surplus, end of year	\$ 843,364	\$ 759,705



# THE VITANOVA FOUNDATION

## Statement of Cash Flows

Year Ended March 31, 2019

	2019	2018
<b>Operating activities</b>		
Operating surplus	\$ 83,659	\$ 91,591
Item not requiring an outlay of funds		
Amortization	51,253	54,453
	134,912	146,044
 Changes in non-cash working capital		
HST and accounts receivable	48,743	(56,142)
Holdback receivable	-	(73,020)
Accounts payable and accrued liabilities and employee tax deductions payable	32,537	16,101
Deferred revenue	162,451	2,000
	378,643	34,983
 <b>Investing activities</b>		
Acquisition of capital assets	(158,057)	(89,008)
Purchase of investments	1,071	42,662
Funds , held in trust, Chapel	(6,165)	(42,835)
Funds , held in trust, Women's Treatment Centre	(81,670)	-
	(244,821)	(89,181)
 <b>Increase (decrease) in cash and cash equivalents</b>	133,822	(54,198)
 <b>Cash and cash equivalents, beginning of year</b>	234,175	288,373
 <b>Cash and cash equivalents, end of year</b>	\$ 367,997	\$ 234,175

# THE VITANOVA FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2019

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### 1. Purpose, objects and operations of the Foundation

The Vitanova Foundation ("the Foundation") is a not-for-profit organization dedicated to helping people in Canada and around the world who suffer from alcohol and substance abuse and seek treatment.

The Vitanova Foundation was incorporated by letters patent as a corporation without share capital in the Province of Ontario on July 20, 1988. The corporation commenced operations on July 20, 1988.

A) The objects for which the Corporation is incorporated are:

- a) to establish, maintain and administer a residence to offer a rehabilitation programme directed to the needs of persons dependent upon drugs or alcohol;
- b) to establish, maintain and administer assessment, rehabilitation and counselling programmes for persons dependent upon drugs or alcohol;
- c) to establish, maintain and administer counselling programmes for families of persons dependent upon drugs or alcohol;
- d) to establish, maintain and administer a community re-integration programme for persons dependent upon drugs or alcohol;
- e) to promote continuing improvement in the quality of rehabilitation programmes for persons dependent upon drugs or alcohol;
- f) to promote the development of professional skills and sensitivities in people who provide services to persons dependent upon drugs or alcohol;
- g) further to the objects of the corporation and as incidental and ancillary thereto, to interact with the municipal, provincial and federal governments and other agencies in developing policies conducive to the rehabilitation of persons dependent upon drugs or alcohol;
- h) to establish maintain and administer a residence and counselling program for the members of the families of persons dependent upon drugs or alcohol, which members have been the victim of abuse relating to such dependency.

B) The Corporation is subject to the following terms and conditions:

- a) To invest and re-invest the funds of the corporation in such manner as determined by the Directors, and in making such investments, the Directors shall not be limited to investments authorized by law for Trustees, provided such investments are reasonable, prudent and sagacious under the circumstances and do not constitute, either directly or indirectly, a conflict of interest;

# THE VITANOVA FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2019

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### 1. Purpose, objects and operations, continued

- b) To accept donation gifts, legacies and bequests in furtherance of the corporation's objects;
- c) The corporation shall be carried on without the purpose of gain for its members and any profits or other accretions to the corporation shall be used in promoting its objects;
- d) The corporation shall be subject to the Charities Accounting Act and the Charitable Gifts Act;
- e) The directors shall serve as such without remuneration, and no director shall directly or indirectly receive any profit from their position as such; provided that directors may be paid reasonable expenses incurred by them in the performance of their duties;
- f) The borrowing power of the corporation pursuant to any by-law passed and confirmed in accordance with section 59 of the Corporations Act shall be limited to borrowing money for current operating expenses, provided that the borrowing power of the corporation shall not be so limited if it borrows on the security of real or personal property.

### 2. Significant accounting policies

#### Basis of presentation

These financial statements present, in accordance with Canadian accounting standards for not for profit organizations, the assets, liabilities, revenue, expenses and cash flows of the Vitanova Foundation.

#### Cash and cash equivalents

The Foundation considers deposits in bank, certificates of deposit and other short-term investments with original maturities of 90 days or less at the date of acquisition as cash and cash equivalents.

#### Investments

Investments are classified and stated at fair value determined on the basis of market value as determined in an active market. Investment purchases and sales transactions are accounted for on the settlement date.



# THE VITANOVA FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2019

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### 2. Significant accounting policies - continued

#### **Financial instruments other than investments**

The following policies and assumptions were used to determine the fair value of each class of financial assets and financial liabilities. Cash and cash equivalents, HST and other receivables, accounts payable, accrued liabilities and employee tax deductions payable are financial assets and liabilities measured at their carrying amount since it is comparable to their fair value due to the short term maturity of these financial instruments.

#### **Contributions and revenue recognition**

Government grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations and fundraising activities, other revenue - Ontario Works are recorded when received.

The Foundation follows the deferral method of accounting for contributions. Operating grants received prior to the year in which they apply are recorded as deferred contributions. Income from fund raising activity is recognized when the event occurs. Income from sponsorships and interest is recorded when received. Fees from performances, programs and workshops that the Foundation provides are recorded when earned.

#### **Capital assets**

Capital assets are recorded at cost and amortization is based on the estimated useful life of assets. Amortization of furniture and fixtures is provided on the declining balance at an annual rate of 20 %. Computer and vehicle is provided on the declining balance at an annual rate of 45% and 30%, respectively. Leasehold improvements are amortized on a straight-line basis over 10 years.

#### **Impairment of capital assets**

An asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

# THE VITANOVA FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2019

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### 2. Significant accounting policies - continued

#### 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, liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the current period. Estimates are required in determining future cash flows when assessing assets for impairment, the useful lives of capital assets for amortization purposes, the allowance for uncollectible accounts receivable and contingencies. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

#### Government grants

Government grants are recorded as revenue. Specific grants and the related expenses are deferred until completion of the project, when all conditions have been satisfied and grants declared earned.

#### Income taxes

The Foundation is a registered charity under the provisions of the Income Tax Act and is therefore not liable for either federal or provincial income taxes.

#### Donated services

Some of the work of the Foundation is dependent on voluntary services offered by volunteers. Since these services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, donated services of this kind are not recognized in these financial statements.

### 3. Related party transactions

The related entities have common management. The Vitanova Shelter Corporation charges rent to the Vitanova Foundation (2019-\$ 72,000; 2018-\$ 72,000). The rent is in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related entities.

### 4. Cash and cash equivalents

The fair value of unrestricted cash and cash equivalents in 2019 was \$ 367,997 ( 2018 - \$ 234,175).



# THE VITANOVA FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2019

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**5. HST receivable and other receivables**

HST receivable and other receivables is comprised of \$ 37,418 to be received from the Federal government as a rebate provided to registered charities in Canada for relief on HST paid on expenses incurred to run the Foundation operations.

**6. Holdback receivable**

Holdback receivable represents an amount held by the Royal Bank as security for unforeseen construction costs after the completion of the Chapel. The amount of funds held of \$ 73,020 was part of the Vitanova contractual obligation with the City of Vaughan for the construction of the Chapel. If no further costs are later incurred by the Foundation then the held funds will be returned to the operations of Vitanova. If further project costs on the Chapel are incurred by Vitanova after the completion of the Chapel then these costs will be expensed or capitalized in the year of the Chapel's completion. These funds were invested by Vitanova in a one year RBC guaranteed income certificate maturing October 3, 2019 at an annual rate of return of 1.4 %.

**7. Investment**

The fair value of the investment is \$ 62,000 (2018 - \$ 63,071) and is comprised of a 1 year RBC guaranteed income certificate maturing April 2, 2019 at an annual rate of return of 1.8560 %.

**8. Funds, held in trust, Chapel**

The fair value of the funds held in trust for the Chapel is \$ 49,000 (2018 - \$ 42,835) and is comprised of a 180 day RBC guaranteed income certificate maturing May 29, 2019 at an annual rate of return of 2.2 %. These funds are restricted solely for the construction of the Chapel as public donations made to the Foundation were specifically given for the construction of the Chapel.

**9. Funds, held in trust, Women's Treatment Centre**

The fair value of the funds held in trust for the Women's Treatment Centre is \$ 81,670 and is comprised of a one year RBC guaranteed income certificate maturing November 30, 2019 at an annual rate of return of 2.46 %.



# THE VITANOVA FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2019

10. Capital assets			2019	2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 215,965	\$ (160,436)	\$ 55,529	\$ 55,933
Vehicle	41,178	(39,765)	1,413	2,018
Leasehold improvements	903,166	(493,725)	409,441	300,743
Computer equipment	106,615	(105,534)	1,081	1,966
	\$1,266,924	\$ (799,460)	\$ 467,464	\$ 360,660

## 11. Deferred revenue

Deferred revenue is comprised of \$ 33,750 remaining from the \$ 75,000 Ministry of Health capital grant, \$7,500 of which is current, to be amortized over the useful life of the new kitchen installed with the proceeds received during the 2014 fiscal year. In 2016, the Ministry of Health issued another capital grant of \$ 7,500 for the purchase of a smart board to be amortized over its useful life. The deferred revenue portion of this capital grant is \$ 967 of which \$ 435 is current.

In 2017, a capital grant of \$ 10,776 was received for the installation of a new telephone system to be amortized over its useful life. The deferred revenue portion of this capital grant is \$ 6,541 of which the amount of \$ 1,308 is current.

In 2018, a capital grant of \$ 16,077 was received for the installation of a new computer internet system to be amortized over its useful life. The deferred revenue portion of this capital grant is \$ 6,853 of which the amount of \$ 3,083 is current.

In 2019, a capital grant of \$ 8,793 was received for the construction of a washroom within the facility to be amortized over its useful life. The deferred portion of this capital grant is \$ 8,353 of which \$ 835 is current. In 2019, a capital grant of \$ 96,020 was received for the installation of an elevator to be amortized over its useful life. The deferred portion of this capital grant is \$ 91,219 of which \$ 9,122 is current. In 2019, a funding grant of \$ 91,280 was received to provide funds for specific staffing programs. The \$ 71,047 of the \$ 91,280 that was received is current deferred revenue that will be applied to staffing needs of the 2020 fiscal year. In 2019, \$ 7,365 remains from the 2018 staffing funding received to be used for staffing needs in the 2020 fiscal year.

## 12. Contingency

In 2015, the Foundation was served with a legal statement of claim by a former employee for wrongful dismissal. There has been no activity in the current fiscal year on the lawsuit. The complainant is now deceased and the lawsuit is currently in the hands of the complainant's estate. Due to these circumstances, it is not possible to estimate an appropriate dollar amount for the settlement of this action, if any, or the ultimate outcome, and therefore no accrual has been provided in the financial statements.



# THE VITANOVA FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2019

13.	Government and charitable grants	2019	2018
	Operating grant, Ministry of Health	\$ 626,948	\$ 612,254
	Various capital grants, Ministry of Health	20,775	14,495
	United Way of York Region	50,000	50,460
	Staffing operating grant, Addiction Services of York Region	161,094	155,260
	Various funding grants, Ministry of Health	13,500	7,684
		\$ 872,317	\$ 840,153

The purpose of the operating grant received from the Ministry of Health is to fund the day to day expenditures required to maintain the Vitanova Foundation.

The purpose of the one-time capital grant from the Ministry of Health in 2014 was to replace the existing kitchen. A grant of \$ 75,000 was received in 2014 amortized and deferred over the useful life of the kitchen for a period of 10 years. The amount recognized as revenue in the current year is \$ 7,500.

The purpose of the one-time capital grant of \$ 7,500 received from the Ministry of Health in 2016 was for the purchase of a smart board. The current portion of the funding received in 2016 recognized as revenue in the current fiscal period of 2019 for the smart board is \$ 792.

The purpose of the United Way of York Region grant of \$ 50,000 is to provide funds towards the operation of the domiciliary shelter program.

The purpose of the one-time capital funding of \$ 10,776 received from the Ministry of Health in 2017 was for a new telephone system. The amount recognized as revenue in the current year is \$ 1,635.

The funding grant issued by the Ministry of Health in the amount of \$ 13,500 was used towards various operating expenses and expensed in the 2019 fiscal year.

The funding grant of \$ 161,094 received by Addiction Services of York Region in 2019 was to provide funds for specific staffing programs and expensed in the 2019 fiscal year.

The purpose of the one-time capital funding of \$ 96,020 received from the Ministry of Health in 2019 was for the installation of an elevator. The amount recognized as revenue in the current year is \$ 4,801.

The purpose of the one-time capital funding of \$ 8,793 received from the Ministry of Health in 2019 was for the construction of a washroom. The amount of \$ 440 is recognized as revenue in the current year.

The purpose of the one-time capital funding of \$ 16,077 received from the Ministry of Health in 2018 was for the installation of an upgraded computer internet service. The amount recognized as revenue in the current year is \$ 5,607.



# THE VITANOVA FOUNDATION

## Notes to Financial Statements

Year Ended March 31, 2019

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### 14. Economic Dependence

The Foundation is economically dependent on the continued support of the Ministry of Health, United Way and York Region.

### 15. Remuneration of Board of Directors

Members of the Board of Directors are volunteers who served without remuneration for acting as directors.

### 16. Financial instruments and risk management

The Foundation is exposed to the following risks related to its financial assets and liabilities. The Foundation is not exposed to market risk, other price risk, or any significant concentrations of risk. The following financial risk assessment has remained unchanged from prior year.

#### **Fair values:**

The fair values of receivables and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

#### **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 Foundation's main credit risks relates to its accounts receivable. There is minimal to no risk relating to the accounts receivable of the Foundation.

#### **Liquidity risk:**

The Foundation is exposed to the risk of being unable to honour it's financial commitments by the deadlines set out under the terms of such commitments. The Foundation is exposed to this risk mainly through its accounts payable. Senior management manages the Foundation's cash resources based on financial forecasts and anticipated cash flows.