

**STONEHENGE THERAPEUTIC COMMUNITY INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

**STONEHENGE THERAPEUTIC COMMUNITY INC.**

**INDEX TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of: Stonehenge Therapeutic Community Inc.

### **Opinion**

We have audited the accompanying financial statements of Stonehenge Therapeutic Community Inc., which comprise the current fund statement of financial position as at March 31, 2020 and the current fund 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, these financial statements present fairly, in all material respects, the financial position of Stonehenge Therapeutic Community Inc. as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada as disclosed in Note 1.

### **Basis of 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 Stonehenge Therapeutic Community Inc. 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.

### **Basis of Accounting and Restriction on Use**

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Stonehenge Therapeutic Community Inc. to meet the requirements of Directors of Stonehenge Therapeutic Community Inc., the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the use of the Directors of Stonehenge Therapeutic Community Inc. and the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada. and should not be used by parties other than the Directors of Stonehenge Therapeutic Community Inc. or the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada. Our opinion is not qualified in respect of this matter.

### **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 the financial reporting provisions of the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada as disclosed in Note 1 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 a 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: [www.rlb.ca/additional-auditor-responsibilities](http://www.rlb.ca/additional-auditor-responsibilities). This description forms part of our auditor's report.

Handwritten signature of RLB LLP in black ink.

Guelph, Ontario  
May 26, 2020

Chartered Professional Accountants  
Licensed Public Accountants

**STONEHENGE THERAPEUTIC COMMUNITY INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,007,699	\$ 556,906
Accounts receivable	337,045	469,242
Prepaid expenses	<u>75,476</u>	<u>61,566</u>
	<u>\$ 1,420,220</u>	<u>\$ 1,087,714</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 531,410	\$ 650,732
Deferred revenue	511,815	130,500
Due to capital fund	<u>316,840</u>	<u>246,327</u>
	<u>1,360,065</u>	<u>1,027,559</u>
<b>NET ASSETS</b>		
<b>UNRESTRICTED NET ASSETS</b>	<u>60,155</u>	<u>60,155</u>
	<u>\$ 1,420,220</u>	<u>\$ 1,087,714</u>

**APPROVED ON BEHALF OF THE BOARD:**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**STONEHENGE THERAPEUTIC COMMUNITY INC.**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	<b>2020</b>	<b>2019</b> (Note 5)
<b>REVENUES</b>		
Ministry of Health - Waterloo Wellington Local Health Integration Network		
Base funding	\$ 3,804,252	\$ 3,391,569
Sessional fees/supplements	38,880	38,880
Special projects	78,753	98,184
OTN	85,021	85,021
Safe drinking water	4,110	4,110
Correctional Services - Canada	739,204	647,258
Ministry of Correctional Services - Ontario	372,001	388,493
County of Wellington - Housing project	217,700	102,300
City of Guelph - Supportive Recovery Room	262,500	0
City of Guelph - Court support program	100,000	0
Miscellaneous revenue	<u>24,620</u>	<u>82,512</u>
	<u>5,727,041</u>	<u>4,838,327</u>
Advertising, executive search and program	23,890	36,491
Bonding and insurance	56,096	52,993
Employee benefits	492,900	428,203
Heat and hydro	64,627	58,396
Household costs	249,392	214,436
Interest and bank charges	10,492	11,533
Maintenance	400,149	190,012
Medical administration	9,556	11,417
Meeting costs	12,054	12,789
Membership fees and subscriptions	9,997	5,795
Office equipment service and lease	158,435	184,495
Office supplies	48,474	42,279
Professional fees	465,959	230,174
Program supplies	42,518	74,528
Rent	174,714	161,804
Safe drinking water	8,501	6,760
Salaries	2,990,451	2,646,018
Staff development	33,041	70,288
Store expenses	6,899	4,551
Telephone	62,561	54,257
Travel and transportation	<u>82,173</u>	<u>92,276</u>
	<u>5,402,879</u>	<u>4,589,495</u>
<b>SURPLUS BEFORE OTHER</b>	324,162	248,832
<b>TRANSFER TO CAPITAL FUND</b>	319,599	248,832
<b>FUNDING REPAYABLE</b>	<u>4,563</u>	<u>0</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES for the year</b>	0	0
<b>NET ASSETS, beginning of year</b>	<u>60,155</u>	<u>60,155</u>
<b>NET ASSETS, end of year</b>	<u>\$ 60,155</u>	<u>\$ 60,155</u>

See notes to the financial statements

**STONEHENGE THERAPEUTIC COMMUNITY INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Changes in non-cash working capital		
Accounts receivable	\$ 132,197	\$ (151,226)
Prepaid expenses	(13,910)	(7,485)
Accounts payable	(119,322)	62,783
Due to capital fund	70,513	100,618
Deferred revenue	<u>381,315</u>	<u>123,200</u>
<b>NET INCREASE IN CASH</b>	450,793	127,890
<b>NET CASH, BEGINNING OF YEAR</b>	<u>556,906</u>	<u>429,016</u>
<b>NET CASH, END OF YEAR</b>	<u>\$ 1,007,699</u>	<u>\$ 556,906</u>

# STONEHENGE THERAPEUTIC COMMUNITY INC.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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### 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stonehenge Therapeutic Community Inc. provides a continuum of not for profit treatment services to men and women with chronic and acute drug and alcohol addictions. The organization is incorporated without share capital and operates as a non-profit corporation. As such, the organization is exempt from income taxes.

#### BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the financial reporting provisions of the Ministry of Health, Waterloo Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not for profit organizations because of various funder requirements. Notes 1(b), 1(c) and 1(d) specifically, differ from Canadian accounting standards for not for profit organizations.

#### (a) CURRENT FUND

The current fund records the day-to-day operations of the organization which follows the accrual basis of accounting for revenue and expense.

#### (b) CAPITAL FUND

Separate audited financial statements are prepared for the capital fund, which reflects the organization's investment in capital assets and fundraising activities because of various funder requirements.

#### (c) CAPITAL ASSETS

Capital assets related to the organization's premises are recorded in the capital fund, are stated at cost and are not amortized. All other capital assets purchased during the year are recorded as expenses in the statement of current fund operations.

#### (d) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions.

Revenue is recognized as it is received or becomes receivable from the funders. Private source revenue is recognized when earned and when collection is relatively certain.

Revenue from the Ministry of Health, Waterloo Local Health is recognized in accordance with the funding agreement. Committed expenditures related to this funding are recognized in the funding year.

#### (e) DEFERRED REVENUE

From time to time the funders will approve the use of funds for expenditures incurred in a future fiscal period and, accordingly, these funds are recorded as deferred revenue. The current year deferred revenue consists of private source revenue received in advance.



**STONEHENGE THERAPEUTIC COMMUNITY INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2020**

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**1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(f) USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management's estimates include accrued liabilities. Actual results could differ from those estimates.

(g) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net surplus.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, 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 net surplus.

Transaction costs

The organization recognizes its transaction costs in net income 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.

**2. FINANCIAL INSTRUMENTS**

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from the financial instruments.

The extent of the organization's exposure to these risks did not change in 2020 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

**STONEHENGE THERAPEUTIC COMMUNITY INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2020**

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**3. COMMITMENTS**

The organization has various operating leases for the premises, furniture and equipment. Future minimum lease payments are as follows:

2021	\$	78,453
2022		49,838
2023		<u>433</u>
	\$	<u>128,724</u>

**4. TRANSFER TO CAPITAL FUND**

A portion of the organization's surplus that does not have to be repaid to funders was transferred to the Capital Fund at March 31, 2020 to be used for repairs to the properties held in the capital fund.

**5. COMPARATIVE FIGURES**

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

**6. CREDIT FACILITY**

The organization's current and capital fund bank accounts and the bank account of Stonehenge Therapeutic Community Charitable Foundation are considered on a combined balance basis. The line of credit is used to fund expenditures in excess of the combined balance. The organization has an authorized unsecured line of credit of \$200,000. The line of credit bears interest at prime plus 1%. At March 31, 2020, the organization has utilized \$0 (2019 - \$0) of the line of credit.

**7. SUBSEQUENT EVENTS**

Subsequent to year end, the impact of the Novel Coronavirus (COVID-19) in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has resulted in the closure of programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. Further, the timing and amounts realized on the organization's assets as well as its future ability to deliver all programming may be impacted by the evolving circumstances of the virus.

**STONEHENGE THERAPEUTIC COMMUNITY INC.  
CAPITAL FUND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2020**

# STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND

## INDEX TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of: Stonehenge Therapeutic Community Inc. Capital Fund

### **Opinion**

We have audited the accompanying financial statements of Stonehenge Therapeutic Community Inc. Capital Fund, which comprise the statement of capital fund financial position as at March 31, 2020 and the capital fund statements of operations, net assets and cash flows for the year then ended, and notes to the capital fund financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Stonehenge Therapeutic Community Inc. Capital Fund as at March 31, 2020 and the results of its capital fund operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada as disclosed in Note 1.

### **Basis of 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 Stonehenge Therapeutic Community Inc. Capital Fund 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.

### **Basis of Accounting and Restriction on Use**

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Stonehenge Therapeutic Community Inc. Capital Fund to meet the requirements of Directors of Stonehenge Therapeutic Community Inc., the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the use of the Directors of Stonehenge Therapeutic Community Inc. Capital Fund and the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada. and should not be used by parties other than the Directors of Stonehenge Therapeutic Community Inc. Capital Fund or the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada. Our opinion is not qualified in respect of this matter.

### **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 the financial reporting provisions of the Ministry of Health, Waterloo Wellington Local Health Integration Network, Ministry of Community Safety & Correctional Services-Ontario and Correctional Services-Canada as disclosed in Note 1 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 Stonehenge Therapeutic Community Inc. Capital Fund's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Stonehenge Therapeutic Community Inc. Capital Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Stonehenge Therapeutic Community Inc. Capital Fund'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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: [www.rlb.ca/additional-auditor-responsibilities](http://www.rlb.ca/additional-auditor-responsibilities). This description forms part of our auditor's report.

Handwritten signature of RLB LLP in black ink.

Guelph, Ontario  
May 26 2020

Chartered Professional Accountants  
Licensed Public Accountants

**STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND**  
**STATEMENT OF CAPITAL FUND FINANCIAL POSITION**  
**AS AT MARCH 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 75,202	\$ 279,602
Short term investments (note 3)	766,464	354,634
Accounts receivable	493	172
Due from current fund	<u>316,840</u>	<u>246,326</u>
	<u>1,158,999</u>	<u>880,734</u>
<b>CAPITAL</b>		
Land and building - Dougan Hall	624,126	624,126
Land and building - Morrow Hall	573,404	573,404
Land and building - 60 Westwood	1,055,619	1,055,619
Building improvements	669,075	669,075
Furnishings and equipment	<u>833,182</u>	<u>833,182</u>
	<u>3,755,406</u>	<u>3,755,406</u>
	<u>\$ 4,914,405</u>	<u>\$ 4,636,140</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 3,755	\$ 3,753
Deferred contributions (note 6)	3,740	3,240
Current portion of long term debt (note 5)	<u>87,595</u>	<u>83,415</u>
	95,090	90,408
<b>LONG TERM DEBT</b> (note 5)	<u>316,267</u>	<u>403,862</u>
	<u>411,357</u>	<u>494,270</u>
<b>SURPLUS</b>		
<b>UNRESTRICTED NET ASSETS</b>	<u>4,503,048</u>	<u>4,141,870</u>
	<u>\$ 4,914,405</u>	<u>\$ 4,636,140</u>

**STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND**  
**STATEMENT OF CAPITAL FUND OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>		
Rent receipts	\$ 105,444	\$ 105,444
Investment	16,986	9,746
Donations	<u>14,370</u>	<u>6,485</u>
	<u>136,800</u>	<u>121,675</u>
<b>OPERATING EXPENSES</b>		
Interest and service charges	23,819	27,113
Professional fees	2,118	1,975
Alumni event	0	173
General	<u>2,175</u>	<u>887</u>
	<u>28,112</u>	<u>30,148</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	108,688	91,527
<b>UNREALIZED LOSS ON INVESTMENTS</b> (note 3)	(67,109)	0
<b>TRANSFER FROM CURRENT FUND</b> (note 7)	<u>319,599</u>	<u>248,832</u>
<b>EXCESS OF REVENUE OVER EXPENSES for the year</b>	<u>\$ 361,178</u>	<u>\$ 340,359</u>



**STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND**  
**STATEMENT OF CAPITAL FUND NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	Surplus	Invested in Capital Assets	2020 Total	2019 Total
<b>Balance, beginning of year</b>	\$ 873,741	\$ 3,268,129	\$ 4,141,870	\$ 3,801,511
Excess of revenue over expenses	361,178	0	361,178	340,359
Net (decrease) increase in mortgage financing	<u>(83,415)</u>	<u>83,415</u>	<u>0</u>	<u>0</u>
<b>Balance, end of year</b>	<u>\$ 1,151,504</u>	<u>\$ 3,351,544</u>	<u>\$ 4,503,048</u>	<u>\$ 4,141,870</u>

Invested in Capital Asset balance consists of the following:

Capital assets	\$ 3,755,406
Less: Long term debt	<u>403,862</u>
	<u>\$ 3,351,544</u>

**STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND**  
**STATEMENT OF CAPITAL FUND CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 361,178	\$ 340,359
Items not requiring an outlay of cash		
Unrealized loss on investments	<u>67,109</u>	<u>0</u>
	428,287	340,359
Changes in non-cash working capital		
Accounts receivable	(321)	(18)
Accounts payable and accrued liabilities	2	496
Due to capital fund	(70,514)	(100,617)
Deferred contributions	<u>500</u>	<u>0</u>
	<u>357,954</u>	<u>240,220</u>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Repayment of long term debt	<u>(83,415)</u>	<u>(79,440)</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
(Increase) decrease in investments	<u>(478,939)</u>	<u>99,632</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(204,400)	260,412
<b>NET CASH, BEGINNING OF YEAR</b>	<u>279,602</u>	<u>19,190</u>
<b>NET CASH, END OF YEAR</b>	<u>\$ 75,202</u>	<u>\$ 279,602</u>

**STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND**  
**NOTES TO THE CAPITAL FUND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

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**1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Stonehenge Therapeutic Community Inc. provides a continuum of not for profit treatment services to men and women with chronic and acute drug and alcohol addictions. The organization is incorporated without share capital and operates as a non-profit corporation. As such, the organization is exempt from income taxes.

Accounting policies considered significant are as follows:

(a) BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the financial reporting provisions of the Ministry of Health, Waterloo Local Health Integration Network, Ministry of Community Safety and Correctional Services-Ontario and Correctional Services-Canada. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not for profit organizations because of various funder requirements. Note 1(b), 1(c), and 1(d) specifically, differ from Canadian accounting standards for not for profit organizations.

- (i) Amortization is not provided on building, furniture and equipment over the estimated useful lives of these assets; and
- (ii) The charge to the capital fund is equal to the annual principal reduction of the mortgage.

(b) CURRENT FUND

Separate audited financial statements are prepared for the current fund. The current fund records the day-to-day operations of the organization which follows the accrual basis of accounting for revenue and expense.

(c) CAPITAL FUND

All transactions are recorded at cost. The capital fund records the cost of fixed assets either through direct disbursements from the capital fund or through capital expense made by the current fund. Depreciation or amortization is not recorded in these financial statements. The organization follows the accrual basis of accounting for revenue and expenses.

(d) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions.

Revenue is recognized as it is received or becomes receivable and collection is reasonably assured. Rental revenue is recognized when it becomes receivable.

Revenue from the Ministry of Health, Waterloo Local Health is recognized in accordance with the funding agreement. Committed expenditures related to this funding are recognized in the funding year.

(e) SHORT TERM INVESTMENTS

The organization records GIC investments at fair market value. All other investments are recorded at the lower of book value and fair market value.

**STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND**  
**NOTES TO THE CAPITAL FUND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2020**

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**1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(f) USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates and assumptions relate to accrued charges and the value of smaller in-kind donations. Actual results could differ from those estimates.

(g) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, 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 of revenue over expenditures.

Transaction costs

The organization recognizes its transaction costs in excess of revenue over expenditures 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.

**2. FINANCIAL INSTRUMENTS**

Unless otherwise noted, the Capital Fund is not exposed to significant currency, credit, interest rate or liquidity risk.

The extent of the organization's exposure to these risks did not change in 2020 compared to the previous period.

Market risk

Market risk is the risk that the fair value or future cash flows of the organization's financial instruments will fluctuate because of changes in market prices. Some of the organization's financial instruments expose it to this risk, which comprises currency risk, interest rate risk and other price risk. The organization is mainly exposed to other price risk due to the ongoing effect of the Novel Coronavirus on the worldwide market and the organization's short term investments.

**STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND**  
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**3. SHORT TERM INVESTMENTS**

	<b>Principal</b>	<b>Interest</b>	<b>Maturity Date</b>
Mcan Mortgage Corporation GIC	\$ 100,000	2.55%	January 18, 2021

In addition to the above, the Capital Fund has a portfolio of investments with National Bank, that has a fair market value of \$664,589 and a book value of \$731,698 and as at March 31, 2020.

**4. BANK INDEBTEDNESS**

The organization's current and capital fund bank accounts and the bank account of Stonehenge Therapeutic Community Charitable Foundation are considered on a combined balance basis. The line of credit is used to fund expenditures in excess of the combined balance. The organization has an authorized unsecured line of credit of \$200,000. The line of credit bears interest at prime plus 1%. At March 31, 2020, the organization has utilized \$0 (2019 - \$0) of the line of credit.

**5. LONG TERM DEBT**

	<b>2020</b>	<b>2019</b>
4.82% fixed rate business term loan payable in monthly instalments of \$8,786.70 including interest, due September 17, 2023, secured by land and buildings with a carrying value of \$2,253,149 (2019 - \$2,253,149)	\$ 403,862	\$ 487,277
Less: Current portion	<u>87,595</u>	<u>83,415</u>
	<u>\$ 316,267</u>	<u>\$ 403,862</u>

Future minimum payments on long term debt obligations are as follows:

2021	\$ 87,595
2022	91,995
2023	96,905
2024	<u>127,367</u>
	<u>\$ 403,862</u>

**6. DEFERRED CONTRIBUTIONS**

Net proceeds in the amount of \$500 from the donations are restricted for alumni guided expenditures.

**7. TRANSFER FROM CURRENT FUND**

A portion of the organization's current fund surplus that does not have to be repaid to funders has been transferred to the capital fund to be used for repairs to the properties held in the capital fund.

**STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND**  
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**8. SUBSEQUENT EVENTS**

Subsequent to year end, the impact of the Novel Coronavirus (COVID-19) in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has resulted in the closure of programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. Further, the timing and amounts realized on the organization's assets as well as its future ability to deliver all programming may be impacted by the evolving circumstances of the virus.