

STONEHENGE THERAPEUTIC COMMUNITY INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

STONEHENGE THERAPEUTIC COMMUNITY INC.

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INDEPENDENT AUDITOR'S REPORT

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, 2021 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, 2021 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 Stonehenge Therapeutic Community Inc.'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. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Stonehenge Therapeutic Community Inc.'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 judgement 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 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 Stonehenge Therapeutic Community Inc.'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 Stonehenge Therapeutic Community Inc.'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 Stonehenge Therapeutic Community Inc. 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.



Guelph, Ontario
May 25, 2021

Chartered Professional Accountants
Licensed Public Accountants

STONEHENGE THERAPEUTIC COMMUNITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 1,100,855	\$ 1,007,699
Accounts receivable	248,104	337,045
Prepaid expenses	<u>76,634</u>	<u>75,476</u>
	<u>\$ 1,425,593</u>	<u>\$ 1,420,220</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 730,800	\$ 531,410
Deferred revenue (note 7)	272,600	511,815
Due to capital fund	<u>362,038</u>	<u>316,840</u>
	<u>1,365,438</u>	<u>1,360,065</u>
NET ASSETS		
UNRESTRICTED NET ASSETS	<u>60,155</u>	<u>60,155</u>
	<u>\$ 1,425,593</u>	<u>\$ 1,420,220</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, 2021

	2021	2020 (Note 5)
REVENUES		
Ministry of Health - Waterloo Wellington Local Health Integration Network		
Base funding	\$ 4,719,472	\$ 3,804,252
Sessional fees/supplements	40,447	38,880
Special projects	396,634	78,753
OTN	85,021	85,021
Safe drinking water	4,107	4,110
Correctional Services - Canada	671,642	739,204
Solicitor General - Ontario	200,564	372,001
County of Wellington - Housing project	247,000	217,700
City of Guelph - Supportive Recovery Room	525,000	262,500
City of Guelph - Court support program	97,400	100,000
Acute intervention program	155,722	0
Miscellaneous revenue	<u>12,748</u>	<u>24,620</u>
	<u>7,155,757</u>	<u>5,727,041</u>
EXPENDITURES		
Advertising, executive search and program	32,542	23,890
Bad debt	400	0
Bonding and insurance	70,526	56,096
Employee benefits	1,451,350	1,046,382
Heat and hydro	54,293	64,627
Household costs	172,772	249,392
Interest and bank charges	13,119	10,492
Maintenance	312,745	400,149
Medical administration	19,537	9,556
Meeting costs	2,002	12,054
Membership fees and subscriptions	27,523	9,997
Office equipment service and lease	140,427	158,435
Office supplies	48,947	48,474
Professional fees	615,397	465,959
Program supplies	80,540	42,518
Rent	185,234	174,714
Safe drinking water	8,031	8,501
Salaries	3,105,919	2,436,969
Staff development	69,915	33,041
Store expenses	10,291	6,899
Telephone	91,194	62,561
Travel and transportation	<u>232,145</u>	<u>82,173</u>
	<u>6,744,849</u>	<u>5,402,879</u>
SURPLUS BEFORE OTHER	410,908	324,162
TRANSFER TO CAPITAL FUND	364,477	319,599
FUNDING REPAYABLE	<u>46,431</u>	<u>4,563</u>
EXCESS OF EXPENDITURES OVER REVENUES for the year	0	0
NET ASSETS, beginning of year	<u>60,155</u>	<u>60,155</u>
NET ASSETS, end of year	<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, 2021

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Changes in non-cash working capital		
Accounts receivable	\$ 88,941	\$ 132,197
Prepaid expenses	(1,158)	(13,910)
Accounts payable	199,390	(119,322)
Due to capital fund	45,198	70,513
Deferred revenue	<u>(239,215)</u>	<u>381,315</u>
NET INCREASE IN CASH	93,156	450,793
NET CASH, BEGINNING OF YEAR	<u>1,007,699</u>	<u>556,906</u>
NET CASH, END OF YEAR	<u>\$ 1,100,855</u>	<u>\$ 1,007,699</u>

STONEHENGE THERAPEUTIC COMMUNITY INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

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, 2021

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.

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 2021 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, 2021

3. COMMITMENTS

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

2022	\$	51,838
2023		<u>433</u>
	\$	<u><u>52,271</u></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, 2021 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, 2021, the organization has utilized \$0 (2020 - \$0) of the line of credit.

7. DEFERRED REVENUE

Deferred revenue, which consist of the unexpended portion of government grant revenue received that relates to future periods less related expenditures, is as follows:

	2021	2020
Balance, beginning of the year	\$ 511,815	\$ 130,500
Less amount recognized as revenue in the year	(511,815)	(130,500)
Plus amount received related to the following year	<u>272,600</u>	<u>511,815</u>
Balance, end of year	<u><u>\$ 272,600</u></u>	<u><u>\$ 511,815</u></u>

Included in deferred revenue is an exterior lighting replacement project for \$22,600 which could not be completed by March 31, 2021 due to the COVID-19 pandemic. Therefore the Ministry of Health through the Community Infrastructure Renewal Fund has extended the spending deadline to March 31, 2022. The funding is included in deferred revenue.

STONEHENGE THERAPEUTIC COMMUNITY INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

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.

**STONEHENGE THERAPEUTIC COMMUNITY INC.
CAPITAL FUND**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND

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YEAR ENDED MARCH 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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 capital fund statement of financial position as at March 31, 2021 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, 2021 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, Solicitor General-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, Solicitor General-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, Solicitor General-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, Solicitor General-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, Solicitor General-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 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 the Stonehenge Therapeutic Community Inc. Capital Fund's financial reporting process.

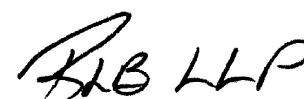
Auditor's Responsibilities for the Audit of the Financial Statements

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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 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 Stonehenge Therapeutic Community Inc. Capital Fund'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 Stonehenge Therapeutic Community Inc. Capital Fund'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 Stonehenge Therapeutic Community Inc. Capital Fund 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.



Guelph, Ontario
May 25, 2021

Chartered Professional Accountants
Licensed Public Accountants

STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND
STATEMENT OF CAPITAL FUND FINANCIAL POSITION
AS AT MARCH 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 81,477	\$ 75,202
Short term investments (note 3)	1,167,857	766,464
Accounts receivable	0	493
Due from current fund	<u>362,038</u>	<u>316,840</u>
	<u>1,611,372</u>	<u>1,158,999</u>
CAPITAL		
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>\$ 5,366,778</u>	<u>\$ 4,914,405</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,753	\$ 3,755
Deferred contributions (note 6)	4,240	3,740
Current portion of long term debt (note 5)	<u>91,995</u>	<u>87,595</u>
	99,988	95,090
LONG TERM DEBT (note 5)	<u>224,272</u>	<u>316,267</u>
	<u>324,260</u>	<u>411,357</u>
SURPLUS		
UNRESTRICTED NET ASSETS	<u>5,042,518</u>	<u>4,503,048</u>
	<u>\$ 5,366,778</u>	<u>\$ 4,914,405</u>

STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND
STATEMENT OF CAPITAL FUND OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
REVENUE		
Rent receipts	\$ 105,444	\$ 105,444
Investment	13,936	16,986
Donations	<u>3,821</u>	<u>14,370</u>
	<u>123,201</u>	<u>136,800</u>
OPERATING EXPENSES		
Interest and service charges	17,609	23,819
Professional fees	2,179	2,118
General	<u>344</u>	<u>2,175</u>
	<u>20,132</u>	<u>28,112</u>
EXCESS OF REVENUE OVER EXPENSES	103,069	108,688
UNREALIZED GAIN (LOSS) ON INVESTMENTS (note 3)	71,924	(67,109)
TRANSFER FROM CURRENT FUND (note 7)	<u>364,477</u>	<u>319,599</u>
EXCESS OF REVENUE OVER EXPENSES for the year	<u>\$ 539,470</u>	<u>\$ 361,178</u>

STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND
STATEMENT OF CAPITAL FUND NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2021

	Surplus	Invested in Capital Assets	2021 Total	2020 Total
Balance, beginning of year	\$ 1,151,504	\$ 3,351,544	\$ 4,503,048	\$ 4,141,870
Excess of revenue over expenses	539,470	0	539,470	361,178
Net (decrease) increase in mortgage financing	<u>(87,595)</u>	<u>87,595</u>	<u>0</u>	<u>0</u>
Balance, end of year	<u>\$ 1,603,379</u>	<u>\$ 3,439,139</u>	<u>\$ 5,042,518</u>	<u>\$ 4,503,048</u>

Invested in Capital Asset balance consists of the following:

Capital assets	\$ 3,755,406
Less: Long term debt	<u>316,267</u>
	<u>\$ 3,439,139</u>

STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND
STATEMENT OF CAPITAL FUND CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 539,470	\$ 361,178
Items not requiring an outlay of cash		
Unrealized (gain) loss on investments	<u>(71,924)</u>	<u>67,109</u>
	467,546	428,287
Changes in non-cash working capital		
Accounts receivable	493	(321)
Accounts payable and accrued liabilities	(1)	2
Due to capital fund	(45,198)	(70,514)
Deferred contributions	<u>500</u>	<u>500</u>
	<u>423,340</u>	<u>357,954</u>
CASH USED IN FINANCING ACTIVITIES		
Repayment of long term debt	<u>(87,595)</u>	<u>(83,415)</u>
CASH USED IN INVESTING ACTIVITIES		
Increase in investments	<u>(329,470)</u>	<u>(478,939)</u>
NET INCREASE (DECREASE) IN CASH	6,275	(204,400)
NET CASH, BEGINNING OF YEAR	<u>75,202</u>	<u>279,602</u>
NET CASH, END OF YEAR	<u>\$ 81,477</u>	<u>\$ 75,202</u>

STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND
NOTES TO THE CAPITAL FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

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, Solicitor General-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 all investments at fair market value. The unrealized gain or loss is recorded in the Statement of Capital Fund Operations.

STONEHENGE THERAPEUTIC COMMUNITY INC. CAPITAL FUND
NOTES TO THE CAPITAL FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

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 2021 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
NOTES TO THE CAPITAL FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

3. SHORT TERM INVESTMENTS

The Capital Fund has a portfolio of investments with National Bank, that has a fair market value of \$1,167,857 and a book value of \$1,163,043 as at March 31, 2021.

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, 2021, the organization has utilized \$0 (2020 - \$0) of the line of credit.

5. LONG TERM DEBT

	2021	2020
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 (2020 - \$2,253,149)	\$ 316,267	\$ 403,862
Less: Current portion	<u>91,995</u>	<u>87,595</u>
	<u>\$ 224,272</u>	<u>\$ 316,267</u>

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

2022	\$ 91,995
2023	96,605
2024	<u>127,667</u>
	<u>\$ 316,267</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.

8. SUBSEQUENT EVENTS

The impact of the Novel Coronavirus (COVID-19) in Canada and on the global economy continues to be significant. 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.