

INDEPENDENT AUDITOR'S REPORT

To the Members of Stella's Place Assessment and Treatment Centre

STELLA'S PLACE ASSESSMENT AND TREATMENT CENTRE

FINANCIAL STATEMENTS

DECEMBER 31, 2018

Our audit was conducted in accordance with the standards of the Chartered Accountants of Canada (CICA) and the standards of the Institute of Chartered Accountants of Ontario (ICAO). We have audited the financial statements of Stella's Place Assessment and Treatment Centre (the "Centre") for the year ended December 31, 2018, and the results of our audit are set out in our report on the financial statements.

The financial statements of the Centre for the year ended December 31, 2018, and the results of our audit are set out in our report on the financial statements. The financial statements of the Centre for the year ended December 31, 2018, and the results of our audit are set out in our report on the financial statements.

We conducted our audit in accordance with the standards of the Chartered Accountants of Canada (CICA) and the standards of the Institute of Chartered Accountants of Ontario (ICAO). We have audited the financial statements of Stella's Place Assessment and Treatment Centre (the "Centre") for the year ended December 31, 2018, and the results of our audit are set out in our report on the financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such related information as management determines is necessary to enable the presentation of financial statements that are not misleading in all material respects, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objective is 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 it 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Stella's Place Assessment and Treatment Centre,

Opinion

We have audited the financial statements of Stella's Place Assessment and Treatment Centre (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Stella's Place Assessment and Treatment Centre as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

Pennylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

April 12, 2019
Toronto, Ontario

STELLA'S PLACE ASSESSMENT AND TREATMENT CENTRE

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	2018	2017
ASSETS		
Current assets		
Cash	\$ 1,058,430	\$ 709,301
Grant receivable	89,847	-
HST rebate recoverable	64,974	543,937
Prepaid expenses	<u>38,219</u>	<u>20,451</u>
	1,251,470	1,273,689
Capital assets (note 2)	<u>6,374,083</u>	<u>6,373,308</u>
	<u>\$ 7,625,553</u>	<u>\$ 7,646,997</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 149,223	\$ 21,846
Deferred contributions (note 3)	<u>887,738</u>	<u>1,121,459</u>
	1,036,961	1,143,305
Deferred capital contributions (note 4)	<u>4,877,381</u>	<u>4,876,606</u>
	<u>5,914,342</u>	<u>6,019,911</u>
Net assets		
Invested in land	1,496,702	1,496,702
Unrestricted	<u>214,509</u>	<u>130,384</u>
	<u>1,711,211</u>	<u>1,627,086</u>
	<u>\$ 7,625,553</u>	<u>\$ 7,646,997</u>

Approved on behalf of the Board:

Martha Jory, Director
A. H. Allen, Director

see accompanying notes

STELLA'S PLACE ASSESSMENT AND TREATMENT CENTRE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

2018	Unrestricted	Invested in land	Total
Net assets, beginning of year	\$ 130,384	\$ 1,496,702	\$ 1,627,086
Excess of revenue over expenses for the year	<u>84,125</u>	<u>-</u>	<u>84,125</u>
NET ASSETS, END OF YEAR	<u>\$ 214,509</u>	<u>\$ 1,496,702</u>	<u>\$ 1,711,211</u>

2017	Unrestricted	Invested in land	Total
Net assets, beginning of year	\$ 71,261	\$ -	\$ 71,261
Restricted contribution for purchase of land (note 4)	-	1,496,702	1,496,702
Excess of revenue over expenses for the year	<u>59,123</u>	<u>-</u>	<u>59,123</u>
NET ASSETS, END OF YEAR	<u>\$ 130,384</u>	<u>\$ 1,496,702</u>	<u>\$ 1,627,086</u>

see accompanying notes

STELLA'S PLACE ASSESSMENT AND TREATMENT CENTRE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
REVENUE		
Donations - undesignated	\$ 1,171,801	\$ 1,902,955
Donations - designated	383,477	363,638
Government grants (note 5)	1,308,655	233,360
Rental income (note 2)	208,868	6,870
Other	8,678	5,392
Deferred capital contributions recognized (note 4)	<u>139,164</u>	<u>7,856</u>
	<u>3,220,643</u>	<u>2,520,071</u>
EXPENSES		
Program		
Personnel	1,631,294	1,335,862
Occupancy	155,163	243,000
Information technology	126,809	203,530
Other operating	<u>205,339</u>	<u>158,067</u>
Total program expenses	<u>2,118,605</u>	<u>1,940,459</u>
Non-program		
Personnel	558,843	351,837
Other	104,869	137,718
Information technology	68,250	9,096
Occupancy	<u>7,636</u>	<u>8,147</u>
Total non-program expenses	<u>739,598</u>	<u>506,798</u>
Rental property (note 2)	<u>139,151</u>	<u>-</u>
Amortization	<u>139,164</u>	<u>13,691</u>
	<u>3,136,518</u>	<u>2,460,948</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 84,125</u>	<u>\$ 59,123</u>

see accompanying notes

STELLA'S PLACE ASSESSMENT AND TREATMENT CENTRE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 84,125	\$ 59,123
Add back non-cash items -		
Amortization of capital assets	139,164	13,691
Deferred capital contributions recognized	(139,164)	(7,856)
Net change in non-cash working capital items (see below)	<u>379,943</u>	<u>286,101</u>
Net cash generated from operating activities	<u>464,068</u>	<u>351,059</u>
INVESTING ACTIVITIES		
Sale (purchase) of short-term investments	-	100,004
Purchase of capital assets	<u>(139,939)</u>	<u>(6,033,664)</u>
Net cash used for investing activities	<u>(139,939)</u>	<u>(5,933,660)</u>
FINANCING ACTIVITIES		
Capital contributions received	<u>25,000</u>	<u>6,033,664</u>
NET CASH INCREASE IN THE YEAR	<u>349,129</u>	<u>451,063</u>
Cash, beginning of year	<u>709,301</u>	<u>258,238</u>
CASH, END OF YEAR	<u>\$ 1,058,430</u>	<u>\$ 709,301</u>
 Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Grant receivable	\$ (89,846)	\$ 47,500
HST rebate recoverable	478,963	(529,447)
Prepaid expenses	(17,769)	(5,058)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	127,377	10,407
Deferred contributions	<u>(118,782)</u>	<u>762,699</u>
	<u>\$ 379,943</u>	<u>\$ 286,101</u>

see accompanying notes

STELLA'S PLACE ASSESSMENT AND TREATMENT CENTRE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Stella's Place Assessment and Treatment Centre (the "Organization") is the first comprehensive, integrated, community-based assessment and treatment centre in Canada developed in collaboration with young adults (age 16 to 29) with mental health challenges. The Organization was incorporated in Ontario by letters patent on April 19, 2013 and is a registered charitable organization under the Income Tax Act (Canada). Since 2016, the Organization has delivered peer training, evidence-based clinical services, peer support and wellness programs from our downtown Toronto location.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Revenue recognition

The Organization follows the deferral method of accounting for contributions, which include grants and donations. Grants and bequests are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions received towards the acquisition of depreciable capital assets are deferred when initially recorded in the accounts and amortized to revenue on the same basis as the related capital assets are amortized. Externally restricted contributions received towards the acquisition of non-depreciable capital assets are recognized as a direct increase to net assets.

Contributed materials and services

Contributed materials and services are not recorded in the accounts.

Financial instruments

The Organization records financial instruments, which include cash, short-term investments, grants receivable, HST recoverable, accounts payable and accrued liabilities, initially at fair value. Subsequently, financial instruments are recorded at cost plus accrued interest and less any provisions for impairment in value.

Allocation of expenses

The Organization allocates a portion of occupancy costs based on the proportionate space used by individual functions.

Capital assets

Capital assets are initially recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

<i>Tangible</i>	
Building	- 50 years
Computer equipment	- 3 years
<i>Intangible</i>	
BeanBagChat webapp	- 8 years

STELLA'S PLACE ASSESSMENT AND TREATMENT CENTRE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. CAPITAL ASSETS

Capital assets are as follows:

	Cost	Accumulated Amortization	2018 Net	2017 Net
<i>Tangible</i>				
Land	\$ 1,496,702	\$ -	\$ 1,496,702	\$ 1,496,702
Building	4,489,462	(93,530)	4,395,932	4,485,721
Construction in progress	<u>139,939</u>	<u>-</u>	<u>139,939</u>	<u>-</u>
	<u>6,126,103</u>	<u>(93,530)</u>	<u>6,032,573</u>	<u>5,982,423</u>
<i>Intangible</i>				
BeanBagChat webapp	<u>395,000</u>	<u>(53,490)</u>	<u>341,510</u>	<u>390,885</u>
	<u>\$ 6,521,103</u>	<u>\$ (147,020)</u>	<u>\$ 6,374,083</u>	<u>\$ 6,373,308</u>

In December 2017, the Organization purchased land and a building that will be renovated to be used for programming and administrative purposes. Currently, the building is being rented until construction is completed. During the year, the Organization incurred architect and project management costs, which have been recorded as construction in progress.

3. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for future expenses in future years. Changes in deferred contribution balances are as follows:

	2018	2017
Deferred contributions, beginning of year	\$ 1,121,459	\$ 347,500
Contributions transferred to deferred capital contributions (note 4)	(114,939)	-
Contributions restricted for future expenses	1,573,350	1,370,957
Amounts recognized as revenue during the year	<u>(1,692,132)</u>	<u>(596,998)</u>
Deferred contributions, end of year	<u>\$ 887,738</u>	<u>\$ 1,121,459</u>

4. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. Changes in the deferred capital contributions balance are as follows:

	2018	2017
Deferred capital contributions, beginning of year	\$ 4,876,606	\$ 347,500
Contributions transferred from deferred contributions (note 3)	114,939	-
Contributions restricted for purchase of capital assets	25,000	4,536,962
Amounts recognized as revenue during the year	<u>(139,164)</u>	<u>(7,856)</u>
Deferred capital contributions, end of year	<u>\$ 4,877,381</u>	<u>\$ 4,876,606</u>

STELLA'S PLACE ASSESSMENT AND TREATMENT CENTRE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

5. GOVERNMENT GRANTS

Government grants received to fund specific programs recognized as revenue in the year consist of the following:

	2018	2017
Ministry of Health and Long-Term Care		
Clinical services	\$ 812,500	\$ -
Other	240,170	143,660
City of Toronto	205,985	84,900
Government of Canada	50,000	-
Ministry of Tourism, Culture and Recreation	-	4,800
	<u>\$ 1,308,655</u>	<u>\$ 233,360</u>

In 2018, the Ministry of Health and Long-Term Care approved funding of \$1,000,000 to cover clinical services until March 31, 2019. In 2018, \$812,500 was received and recognized as revenue.

In 2017, the Ministry of Health and Long-Term Care awarded the Organization a two year grant through the Health Technologies Fund to implement and evaluate an online platform, NexJ Connected Wellness. In 2018, \$240,170 (2017 - \$143,660) was recognized as revenue, which includes a grant receivable of \$83,731.

Funding from the Ministry of Health and Long-Term Care is provided to Reconnect Health Services, a partner, who transferred the funds to the Organization.

During the year, the Organization received \$50,000 from the Government of Canada to mark the birth of His Royal Highness Prince Louis of Cambridge as part of Canada's commitment to young adult mental health.

The City of Toronto provided grants for delivery of an integrated intervention program (Skills and Strengths for Wellness) through the Toronto Urban Health Fund and for peer support training through the Toronto Youth Equity Strategy. In 2018, \$205,985 was recognized as revenue (2017 - \$84,900) and \$35,614 was recorded as deferred contributions (2017 - \$80,354)

6. COMMITMENT

The Organization rents space under a lease ending September 30, 2020. Minimum annual lease payments over the term of the lease are as follows:

2019	\$ 169,553
2020	<u>132,035</u>
	<u>\$ 301,588</u>