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smith@
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BETHESDA COMMUNITY SERVICES INC.

Financial Statements

March 31, 2018



BETHESDA COMMUNITY SERVICES INC.

Financial Statements

March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bethesda Community Services Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bethesda Community Services Inc., which comprise the statement of financial position as at March 31, 2018, and the statements of general funded operations, government funded operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions with contract C104364-1 approved June 22, 2017 with the Ministry of Community and Social Services and the Ministry of Children and Youth Services.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with contract C104364-1 approved June 22, 2017 with the Ministry of Community and Social Services and the Ministry of Children and Youth Services, 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.

Auditors' 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 from 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 auditors' 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 presentation 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

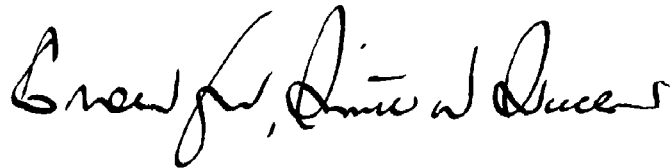
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bethesda Community Services Inc. as at March 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with contract C104364-1 approved June 22, 2017 with the Ministry of Community and Social Services and the Ministry of Children and Youth Services.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Bethesda Community Services Inc. to comply with the reporting provisions of the funding agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of Bethesda Community Services Inc., the Ministry of Community and Social Services, and the Ministry of Children and Youth Services and should not be used by parties other than the Directors of Bethesda Community Services Inc., the Ministry of Community and Social Services, or the Ministry of Children and Youth Services.



Niagara-on-the-Lake, Ontario
June 20, 2018

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

BETHESDA COMMUNITY SERVICES INC.

STATEMENT OF FINANCIAL POSITION

March 31, 2018

Assets	2018	2017
	\$	\$
Current Assets		
Cash	2,037,665	1,247,939
Accounts receivable	218,062	714,089
Sales tax recoverable	151,934	180,609
Prepaid expenses	159,897	148,989
	2,567,558	2,291,626
Fixed Assets - note 4	390,541	397,803
	2,958,099	2,689,429
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	2,302,233	2,132,398
Government remittances payable	186,869	217,679
Due to Bethesda Residential Holdings Inc. - note 6	530	
Note payable - note 6	183,953	183,953
	2,673,585	2,534,030
Net Assets		
General funded operations	284,273	155,158
Government funded operations	241	241
	284,514	155,399
	2,958,099	2,689,429

Signed on behalf of the board:

_____ Director

_____ Director

See accompanying notes

BETHESDA COMMUNITY SERVICES INC.

STATEMENT OF CHANGES IN NET ASSETS

for the year ended March 31, 2018

	2018 \$	2017 \$
General Funded Operations		
Balance, beginning of year	155,158	123,301
Excess of revenue over expenses for the year	129,115	31,857
Balance, End of Year	284,273	155,158
Government Funded Operations		
Balance, beginning of year	241	241
Excess of revenue over expenses for the year		
Balance, End of Year	241	241
Total of Net Assets	284,514	155,399

See accompanying notes

BETHESDA COMMUNITY SERVICES INC.**STATEMENT OF GENERAL FUNDED OPERATIONS**

for the year ended March 31, 2018

	2018 \$	2017 \$
Revenue	5,914,819	5,383,462
Expenses		
Allocated central administrative costs	474,958	523,603
Depreciation	7,262	7,262
Employee benefits	963,173	840,235
Equipment	176,291	172,428
Food	3,656	10,459
Household, cleaning and laundry	10,903	11,104
Insurance	6,405	3,330
Office, postage and sundry	29,706	29,781
Premises costs	229,317	226,855
Professional fees and dues	40,793	5,943
Purchased services	385,642	516,834
Recreation and therapy		61
Resource materials	45,615	51,626
Salaries and wages	3,259,882	2,786,364
Special projects	4,341	4,820
Supplies and maintenance	66,056	112,598
Telephone	6,863	9,457
Transportation	60,927	46,394
Utilities	32,866	39,745
Vehicle operations and maintenance	1,867	4,247
	5,806,523	5,403,146
Cost recoveries	(20,819)	(51,541)
	5,785,704	5,351,605
Excess of Revenue Over Expenses for the Year	129,115	31,857

See accompanying notes

BETHESDA COMMUNITY SERVICES INC.**STATEMENT OF GOVERNMENT FUNDED OPERATIONS**

for the year ended March 31, 2018

	2018 \$	2017 \$
Revenue		
Ministry of Community and Social Services	24,095,298	23,676,074
Ministry of Children and Youth Services	386,048	394,214
Other agencies	1,462,430	1,350,371
Other revenue	355,998	776,547
	<hr/> 26,299,774	<hr/> 26,197,206
Expenses		
Advertising and public relations		340
Allocated central administrative cost recoveries	(474,958)	(539,107)
Capital expenditures	576,840	1,090,707
Client costs	486,103	480,110
Employee benefits	4,643,123	4,388,631
Food	489,992	486,352
Household cleaning and laundry	146,483	170,564
Insurance	160,415	149,777
Office, postage and sundry	103,809	108,783
Premises costs	838,142	895,304
Professional fees and dues	81,323	185,499
Purchased services	2,555,860	2,395,828
Recreation and therapy	19,444	29,537
Residents' personal needs	4,805	16,985
Resource materials	20,956	28,345
Salaries and wages	16,272,576	15,795,438
Special projects	202,956	198,034
Supplies and maintenance	508,704	683,411
Telephone	72,227	89,315
Transportation	137,741	142,618
Utilities	392,788	428,427
Vehicle operations and maintenance	525,216	527,626
	<hr/> 27,764,545	<hr/> 27,752,524
Cost recoveries	(1,464,771)	(1,555,318)
	<hr/> 26,299,774	<hr/> 26,197,206
Excess of Revenue Over Expenses for the Year		

See accompanying notes

BETHESDA COMMUNITY SERVICES INC.**STATEMENT OF CASH FLOWS**

for the year ended March 31, 2018

	2018 \$	2017 \$
Operating Activities		
General funded operations - excess of revenue over expenses for the year	129,115	31,857
Government funded operations - excess of revenue over expenses for the year		
Total excess of revenue over expenses for the year	129,115	31,857
Depreciation	7,262	7,262
Working capital provided by operations	136,377	39,119
Changes in working capital components		
Due from Bethesda Home Foundation Inc.		86,309
Due from Bethesda Residential Holdings Inc.	530	4,496
Accounts receivable	496,027	(570,794)
Sales tax recoverable	28,675	(43,788)
Prepaid expenses	(10,908)	(19,113)
Accounts payable and accrued liabilities	169,835	100,495
Government remittances payable	(30,810)	91,680
Unearned revenue		(7,909)
	653,349	(358,624)
Funds provided (used) by operating activities	789,726	(319,505)
Increase (Decrease) in Cash Position	789,726	(319,505)
Cash Position, Beginning of year	1,247,939	1,567,444
Cash Position, End of year	2,037,665	1,247,939

See accompanying notes

BETHESDA COMMUNITY SERVICES INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2018

Organization

Bethesda Community Services Inc., a registered charitable organization exempt from taxation, was amalgamated in February 2012 under the laws of the Province of Ontario. The purpose of the organization is to receive and maintain a fund or funds and other property and to apply from time to time all funds, or parts thereof, and the income therefrom for charitable purposes, and to provide ongoing services for persons with developmental handicaps in the regional municipalities of Niagara, Hamilton-Wentworth, Brant County, and Haldimand-Norfolk. Services include residential, assessment and behavioural programs, counselling and family home (foster families) program, for clients living under the various Bethesda programs and for clients living throughout the catchment area. The two predecessor organizations were Bethesda Home for the Mentally Handicapped Inc. and Bethesda Community Services of Niagara Inc.

1. Significant Accounting Policies

The financial statements of the organization are the representations of management prepared in accordance with the basis of accounting as described in note 2, consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement in the light of available information. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund accounting

The organization uses the restricted fund method of accounting.

Government funded operations account for the organization's program delivery, administrative activities, and capital requirements that fall under the Ministry of Community and Social Services and Ministry of Child and Youth Services funding contracts. The amounts received in this fund are restricted as to their use.

General funded operations account for operations other than those that fall under the Ministry of Community and Social Services contracts. The amounts received in this fund are to be used for purposes specified by the funding body.

Revenue recognition

Revenue from operating subsidies is recognized as income in the period designated for use by the funding body, regardless of when the funds are actually received.

Financial instruments

The organization's financial instruments consist of cash, accounts receivable, and accounts payable. Financial instruments are initially measured at fair value on acquisition and are subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

BETHESDA COMMUNITY SERVICES INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2018

1. Significant Accounting Policies - continued

Fixed assets and depreciation

Fixed assets, if funded by the Ministry of Community and Social Services, are expensed during the year.

All other fixed assets are recorded at cost. Expenditures for maintenance and repairs are charged to operating expenses.

Depreciation is calculated using the straight-line method at rates designed to amortize the cost of fixed assets over their estimated useful lives as follows:

Buildings	- 40 years
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Additions during the year are depreciated from the month of acquisition. Disposals are depreciated to the month of disposition. Gains or losses on assets sold or otherwise disposed of are included in the statement of operations.

Impairment of long-lived assets

The carrying value of long-lived assets including property, plant and equipment and certain other long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the long-lived asset no longer has any long-term service potential to the organization, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its residual value.

Allocations of expenses between funds

Bethesda Community Services Inc. has expenses which are allocated among the various programs. The organization allocates these expenses using the best available information at the time the expenses are incurred. For example, insurance, utilities and property taxes are proportionately allocated based on either third party designation or square footage of the apartments and professional fees are proportionately allocated on the percentage of revenue for each program.

2. Financial Reporting Framework

The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with contract C104364-1 approved June 22, 2017 with the Ministry of Community and Social Services and the Ministry of Children and Youth Services.

The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations because fixed assets purchased through government funded programs are expensed when acquired rather than being capitalized on the statement of financial position and depreciated over their estimated useful lives.

BETHESDA COMMUNITY SERVICES INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2018

3. Change in Accounting Policy

During the year, the organization decided to move the accounting for programs funded by Hamilton Health Sciences from government funded operations to general funded operations to provide better information to evaluate the results of operations. This change was made retrospectively. This resulted in an increase of revenue in general funded operations and a decrease of revenue in government funded operations of \$4,954,344, and an increase of expenses in general funded operations and a decrease of expenses in government funded operations of \$4,954,344 for the year ended March 31, 2017. There was no impact to the opening net assets at April 1 for either the 2018 or 2017 years.

4. Fixed Assets

	Cost \$	Accumulated Depreciation \$	2018 \$	2017 \$
Land	150,000		150,000	150,000
Buildings	290,478	49,937	240,541	247,803
	440,478	49,937	390,541	397,803

These fixed assets are held by the general fund as they were funded by Bethesda Community Services Inc. Amounts funded by the Ministry of Community and Social Services have been expensed in previous years, but may be required to be repaid on disposition of the assets. Total amounts funded are \$3,052,277 (2017 - \$3,052,277) for buildings.

5. Financial Instruments

Transactions in financial instruments expose the company to certain financial risks and uncertainties. These risks include:

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The organization's note payable bears interest at fixed rates which will renew at market rates. Accordingly, the organization is exposed to the effects of fluctuations in market interest rates when this note payable is refinanced.

The extent of the organization's exposure to the above risks did not change during the year.

BETHESDA COMMUNITY SERVICES INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2018

6. Related Party Transactions

Related parties consist of Bethesda Home Foundation Inc. and Bethesda Residential Holdings Inc. All three organizations are controlled by a common board of directors.

Bethesda Residential Holdings Inc., a commonly controlled organization, charged Bethesda Community Services Inc. premises costs in the amount of \$833,967 (2017 - \$854,135) and vehicle lease costs in the amount of \$291,956 (2017 - \$292,412). Bethesda Community Services Inc. charged the organization administration fees in the amount of \$10,000 (2017 - \$10,000). All amounts represents fair value for the services provided.

The organization has a note payable to Bethesda Residential Holdings Inc. in the amount of \$183,953 (2017 - \$183,953). The note payable bears interest at 2.89% and requires interest-only payments. During the year, the organization paid \$5,775 (2017 - \$5,316) in interest expense with respect to this note payable. At the end of the year, \$530 (2017 - \$nil) of this interest was owed to Bethesda Residential Holdings Inc.

Bethesda Community Services Inc. charged Bethesda Home Foundation Inc., a commonly controlled organization, administration fees in the amount of \$10,000 (2017 - \$10,000) which represents fair value for the services provided. During the year, the organization received \$72,000 (2017 - \$72,000) in donations from Bethesda Home Foundation Inc.

7. Controlled Entities that are not Consolidated

The board of directors of Bethesda Community Services Inc. are also the board of directors for Bethesda Home Foundation Inc., and Bethesda Residential Holdings Inc. Since the financial statements have not been consolidated, the financial summary of Bethesda Community Services Inc., Bethesda Residential Holdings Inc., and Bethesda Home Foundation Inc., as at March 31, 2018 are as follows:

Financial Position

	Bethesda Community Services Inc. \$	Bethesda Residential Holdings Inc. \$	Bethesda Home Foundation Inc. \$	2018 Totals \$	2017 Totals \$
Total Assets	2,958,099	12,091,271	3,300,019	18,349,389	18,955,851
Total Liabilities	2,673,585	4,762,561	1,879,330	9,315,476	10,424,335
Net Assets	284,514	7,328,710	1,420,689	9,033,913	8,531,516
	2,958,099	12,091,271	3,300,019	18,349,389	18,955,851

BETHESDA COMMUNITY SERVICES INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2018

7. Controlled Entities that are not Consolidated - continued

Results of Operations

	Bethesda Community Services Inc. \$	Bethesda Residential Holdings Inc. \$	Bethesda Home Foundation Inc. \$	2018 Totals \$	2017 Totals \$
Total Revenues	32,214,593	1,391,852	754,480	34,360,925	34,115,025
Total Expenses	32,085,478	1,160,104	612,946	33,858,528	33,278,577
Excess of Revenues over Expenses	129,115	231,748	141,534	502,397	836,448

Cash Flows

	\$	\$	\$	2018 \$	2017 \$
Funds provided by operating activities	789,726	1,222,640	135,751	2,148,117	1,078,030
Funds used by investing activities		(276,643)	(163,155)	(439,798)	(1,051,384)
Funds provided (used) by financing activities		(741,563)		(741,563)	115,344
Increase (Decrease) in Cash Position	789,726	204,434	(27,404)	966,756	141,990

Bethesda Residential Holdings Inc. and Bethesda Home Foundation Inc. are registered charities. Bethesda Residential Holdings Inc. is incorporated under the Canada Corporations Act. Bethesda Home Foundation Inc. is incorporated in the Province of Ontario.

The purpose of Bethesda Residential Holdings Inc. is to own and manage properties and vehicles used by Bethesda Community Services Inc. in the regional municipalities of Niagara, Hamilton-Wentworth, Brant County, and Haldimand-Norfolk.

The purpose of the Bethesda Home Foundation Inc. is to acquire and distribute capital and investment funds for the use and promotion of services to developmentally handicapped persons under the Bethesda umbrella of programs.

8. Economic Dependence

Bethesda Community Services Inc. is funded by the Ministry of Community and Social Services and the Ministry of Children and Youth Services and as a result is economically dependent upon the Ministry. Furthermore, Bethesda Community Services Inc. is subject to the restrictions imposed by the Ministry on the use of government funds.

BETHESDA COMMUNITY SERVICES INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2018

9. Pension Agreement

The organization makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 323 members of its staff. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The pension plan contributions have been accounted for as a defined contribution plan because the information required to account for as a defined benefit plan is not readily available.

The amount contributed by the employer to HOOPP for the year is \$1,304,767 (2017 - \$1,253,219) for current service and is included in employee benefits on the statements of general funded operations and government funded operations.

10. Commitment

The organization entered into a contract expiring in 2020 with Bethesda Residential Holdings for premise costs.

The payments are due as follows:

	\$
2018	795,331
2019	803,284
2020	811,317
Total	<u>2,409,932</u>