Combined Financial Statements of

BANYAN COMMUNITY SERVICES INC. AND GEORGE R. FORCE GROUP HOMES INCORPORATED

And Independent Auditor’s Report thereon

Year ended March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Banyan Community Services Inc. and George R. Force Group Homes Incorporated

Opinion

We have audited the combined financial statements of Banyan Community Services Inc. and George R. Force Group Homes Incorporated (the "Entity"), which comprise:

- the combined statement of financial position as at March 31, 2024
- the combined statement of operations for the year then ended
- the combined statement of changes in net assets for the year then ended
- the combined statement of cash flows for the year then ended
- and the notes to the combined financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of the Entity as at March 31, 2024, and its combined results of operations, combined changes in net assets, and its combined 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 responsibility under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our auditor's report.

We are independent of the Entity 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.

Responsibility 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 Entity'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 Entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the financial statements.

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 risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Entity'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 the events or conditions that may cast significant doubt on the Entity'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 the Entity 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 will 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 26, 2024

BANYAN COMMUNITY SERVICES INC. AND GEORGE R. FORCE GROUP HOMES INCORPORATED

Combined Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash and short-term deposits (note 2)	$ 1,815,628	$ 1,104,909
Accounts receivable (note 3)	255,079	102,692
Due from affiliates (note 4)	494,952	494,952
Inventories	129,520	57,910
Prepaid expenses and deposits	65,654	35,241
	2,760,833	1,795,704
Capital assets (note 5)	4,641,719	2,847,172
	$ 7,402,552	$ 4,642,876
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,129,179	$ 858,774
Deferred revenue (note 12)	107,894	95,935
Current portion of mortgage payable (note 8)	38,622	–
	1,275,695	954,709
Mortgage payable (note 8)	1,892,764	–
Deferred capital contributions (note 9)	2,205,944	2,380,962
Total liabilities	5,374,403	3,335,671
Net assets:		
Invested in capital assets (note 10)	504,389	466,210
Unrestricted net assets	1,301,000	618,235
Replacement reserve fund	222,760	222,760
	2,028,149	1,307,205
Commitments (note 7)		
	$ 7,402,552	$ 4,642,876

See accompanying notes to combined financial statements.

On behalf of the Board:

APPROVED

Director

Director

BANYAN COMMUNITY SERVICES INC. AND GEORGE R. FORCE GROUP HOMES INCORPORATED

Combined Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenues:		
Province of Ontario (note 12)	$ 14,410,613	$ 10,452,976
Program fees	169,329	129,258
Other income	264,538	188,611
	14,844,480	10,770,845
Expenses (note 12):		
Salaries and benefits	10,521,055	8,407,354
Maintenance	571,241	397,156
Program expenses	531,222	139,372
Rent and utilities	430,134	433,106
Administration costs	384,594	340,457
Professional services	383,235	233,858
Food and personal needs	370,279	297,621
Medical and clinical support	220,716	191,423
Insurance	145,947	121,010
Mortgage interest	87,022	–
Training and recruitment	67,276	61,957
Promotion and publicity	25,338	15,672
Travel	10,903	12,361
COVID-19 expenses	1,677	22,994
	13,750,639	10,674,341
Excess of revenues over expenses before the following:	1,093,841	96,504
Amortization of deferred capital contributions	175,018	175,046
Amortization of capital assets	(547,915)	(215,318)
	(372,897)	(40,272)
Excess of revenues over expenses	$ 720,944	$ 56,232

See accompanying notes to combined financial statements.

BANYAN COMMUNITY SERVICES INC. AND GEORGE R. FORCE GROUP HOMES INCORPORATED

Combined Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

	Invested in capital assets	Unrestricted	Replacement reserve fund	2024 Total	2023 Total
Net assets, beginning of year	$ 466,210	$ 618,235	$ 222,760	$ 1,307,205	$ 1,250,973
Excess of revenues over expenses	38,179	682,765	–	720,944	56,232
Net assets, end of year	$ 504,389	$ 1,301,000	$ 222,760	$ 2,028,149	$ 1,307,205

See accompanying notes to combined financial statements.

BANYAN COMMUNITY SERVICES INC. AND GEORGE R. FORCE GROUP HOMES INCORPORATED

Combined Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	$ 720,944	$ 56,232
Items not involving cash:		
Amortization of deferred capital contributions	(175,018)	(175,046)
Amortization of capital assets	547,915	215,318
Changes in non-cash operating working capital:		
Accounts receivable	(152,387)	18,622
Inventories	(71,610)	3,340
Prepaid expenses	(30,413)	(2,884)
Accounts payable and accrued liabilities	270,405	26,578
Deferred revenue	11,959	66,237
	1,121,795	208,397
Financing:		
Proceeds from mortgage loan	1,980,000	–
Principal repayments on mortgage loan	(48,614)	–
Investing:		
Acquisition of capital assets	(2,342,462)	–
Increase in cash	710,719	208,397
Cash, beginning of year	1,104,909	896,512
Cash, end of year	$ 1,815,628	$ 1,104,909

See accompanying notes to combined financial statements.

Banyan Community Services Inc. and George R. Force Group Homes Incorporated (the "Organization") was formed by Letter of patent as a Corporation without share capital under the laws of Ontario on October 1, 1996 and is exempt from income tax under the Income Tax Act of Canada. Its purpose is to promote the health, social, recreational and character development of people of all ages in the Province of Ontario.

1. Significant accounting policies:

These combined financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. Significant accounting policies adopted by the Organization are as follows:

(a) Basis of presentation:

These combined financial statements include the accounts of Banyan Community Services Inc. and George R. Force Group Homes Incorporated. The Organizations, although without share capital, are governed by the same Board of Directors and operate under common management. All intercompany accounts and transactions have been eliminated.

(b) Cash and short-term deposits:

Cash and short-term deposits include cash on hand and short-term deposits which are highly liquid with original maturities of less than one year.

(c) Revenue recognition:

The Organization follows the deferral method of accounting for contributions.

The Organization is funded by the Province of Ontario in accordance with budget arrangements established by the Ministry of Children, Community & Social Services and the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized as revenue in the period in which the related expenditures are incurred. Any adjustments to the annual grant on final approval by the Provincial government will be reflected in the year of settlement.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Program fees are recognized in the period in which the related services are provided.

(d) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Building and improvements	Declining-balance and straight-line	4-20%
Equipment	Declining-balance	20-33%
Vehicles	Declining-balance	20-30%
Computer equipment	Declining- balance	30%
Computer software	Declining-balance	33-50%

When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(f) Replacement reserve fund:

The replacement reserve fund represents the accumulation of the annual provision for this reserve as set out in the commitment letters with Canada Mortgage and Housing Corporation ("CMHC") net of any CMHC approved replacement expenditures, pursuant to the agreement with CMHC.

(g) Contributed services:

A substantial number of volunteers contribute their time each year. Because of the difficulty of determining fair value, contributed services are not recognized in the combined financial statements.

(h) Use of estimates:

The preparation of combined financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. Cash and short-term deposits:

Cash and short-term deposits include Guaranteed Investment Certificates (“GICs”) in the amount of $78,780 (2023 - $76,745). The effective interest rate on the GICs held at March 31, 2024 is 2.75% (2023 - 2.40%). The maturity date of the GICs is July 2024. Included in cash and short-term deposits is accrued interest on the GICs in the amount of $1,479 (2023 - $1,348).

3. Accounts receivable:

	2024	2023
HST rebate receivable	$ 160,456	$ 54,582
Other	94,623	48,110
	$ 255,079	$ 102,692

4. Related party transactions:

The Organization and affiliates of the Banyan Group of Organizations are related by virtue of a common Board of Directors. Amounts due from affiliates are receivable from the Banyan Community Services Foundation in the amount of $494,952 (2023 - $494,952). Current balances are non-interest bearing, unsecured and due on demand.

5. Capital assets:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,008,281	$ –	$ 1,008,281	$ 326,187
Building and improvements	8,518,538	5,008,016	3,510,522	2,375,552
Equipment	1,322,092	1,199,176	122,916	94,166
Vehicles	305,453	305,453	–	32,022
Computer equipment	137,111	137,111	–	2,809
Computer software	152,280	152,280	–	16,436
	$11,443,755	$ 6,802,036	$ 4,641,719	$ 2,847,172

During the year, the Organization purchased land and a building which were acquired in order to facilitate the delivery of new programming, including Developmental Services, Family Counselling Services and Partner Assault Response (note 12). Purchases of building improvements, equipment and computer equipment and software were also made to support the new programming.

6. Bank operating line of credit:

The Organization has an operating line of credit in the amount of $250,000 that is due on demand and bears interest at the bank's prime rate plus 1.25% per annum. It is secured by a general security agreement covering all assets of Banyan Community Services Inc. The amount outstanding on the operating line of credit at March 31, 2024 is $nil (2023 - $nil).

7. Commitments:

The Organization is committed under an agreement to lease commercial office space for a ten-year period beginning October 1, 2017. The commitment amounts are as follows:

2025	$ 99,978
2026	99,978
2027	49,978
	$ 249,934

8. Mortgage payable:

	2024	2023
Mortgage, bearing interest at prime plus 0.50% repayable in monthly instalments of $12,451 including interest, maturing in May 2028	$ 1,931,386	$ –
Less: current portion of mortgage payable	(38,622)	–
	$ 1,892,764	$ –

During the year, the Organization secured a mortgage in the amount of $1,980,000 which has a carrying amount of $1,931,386 as at March 31, 2024 (2023 - $nil). The purpose of the mortgage and property is to facilitate the delivery of new programming, including Developmental Services, Family Counselling Services and Partner Assault Response. The loan is secured by a property acquired during the year at 500 Mohawk Road West, Hamilton, Ontario. The loan contains a covenant stating that the Organization is required to maintain a debt service ratio at or more than 1.0 at all times, to be assessed on an annual basis. As at March 31, 2024, the Organization was in compliance with the covenant.

8. Mortgage payable (continued):

Scheduled principal repayments are as follows:

2025	$	38,622
2026		40,918
2027		43,351
2028		45,928
2029 and thereafter		1,762,567
	$	1,931,386

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the combined statement of operations. The change in the deferred capital contributions balance is as follows:

		2024		2023
Balance, beginning of year	$	2,380,962	$	2,556,008
Less: amortization of deferred capital contributions		(175,018)		(175,046)
	$	2,205,944	$	2,380,962

10. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2024	2023
Capital assets, net book value	$ 4,641,719	$ 2,847,172
Mortgage payable	(1,931,386)	–
Deferred capital contributions	(2,205,944)	(2,380,962)
	$ 504,389	$ 466,210

11. Defined contribution pension plan:

Employees of the Organization are eligible to be members of a defined contribution pension plan. The Organization’s contribution to the plan for the year was $295,194 (2023 - $242,579).

12. Partner Assault Response program:

Included within these financial statements are the operating results of the Partner Assault Response program, as follows:

	Budget	2024 Actual
Revenue:		
Ministry of the Attorney General program funding	$ 356,865	$ 356,865
Client fees	40,625	24,756
Additional funding	77,800	77,800
	475,290	459,421
Expenditures:		
Salaries and benefits	440,288	358,555
Rent and utilities	9,064	9,064
Maintenance	6,575	6,575
Telecommunications	4,833	4,833
Office supplies and equipment	3,997	3,997
Advertising	44	44
Staff, governing body and volunteer expenses	–	–
Client expenses	5,711	5,711
Audit fees	838	838
Insurance	3,940	3,940
	475,290	393,557
Annual surplus	$ –	$ 65,864

Annual surplus is returnable to the funder following the completion of the fiscal year, with the exception of amounts requested and approved to be deferred into future periods. For the year-ended March 31, 2024, $63,711 was approved to be deferred to future periods and is included within deferred revenue.

13. Financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements and maintaining available credit facilities. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2023.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable and due from affiliates. The Organization assesses, on a continuous basis, accounts receivable and due from affiliates and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(c) Interest rate risk:

The Organization’s mortgage loan bears interest at a variable rate (note 8). As a result, the Organization is exposed to interest rate risk due to fluctuations in interest rates. This represents a change from the previous period, as the mortgage loan was obtained during fiscal 2024.