FINANCIAL STATEMENTS

APTUS TREATMENT CENTRE

FOR THE YEAR ENDED MARCH 31, 2020

KRP LLP
Chartered Professional Accountants

APTUS TREATMENT CENTRE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Aptus Treatment Centre

Opinion

We have audited the financial statements of Aptus Treatment Centre (the Centre), which comprise the statement of financial position as at March 31, 2020, and the statements of changes in net assets, revenue and expenditures for rehabilitation programs and for fundraising and other items, 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 the Centre as at March 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 Centre in accordance with 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 ASNPO, 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 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.

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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 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 Centre'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 Centre'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 Centre 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.

Markham, Ontario
August 5, 2020

KRP LLP

Chartered Professional Accountants
Licensed Public Accountants

APTUS TREATMENT CENTRE

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

	2020 $	2019 (Restated) $
ASSETS		
CURRENT		
Cash	1,250,992	1,660,778
Government funding and other receivables	235,788	294,031
HST rebate receivable	167,035	409,088
Prepaid expenses and deposits	129,395	131,020
	1,783,210	2,494,917
PROPERTY AND EQUIPMENT (Notes 3, 4, 5 and 7)	8,167,304	8,489,339
	9,950,514	10,984,256
LIABILITIES		
CURRENT		
Accounts payable and accruals	1,194,125	866,274
Government remittances payable	22,861	-
Mortgages payable (Note 4)	67,760	63,708
Bank term loans (Note 5)	484,328	258,574
Lien notes payable (Note 7)	23,711	-
Deferred revenue (Note 9)	482,109	421,343
	2,274,894	1,609,899
NON-CURRENT		
Mortgages payable (Note 4)	618,588	686,348
Bank term loans (Note 5)	1,392,378	1,712,588
Lien notes payable (Note 7)	37,259	-
Deferred contributions - property and equipment (Note 10)	798,021	832,585
	2,846,246	3,231,521
	5,121,140	4,841,420
NET ASSETS		
Net investment in property and equipment (Note 11)	4,745,259	4,934,830
Unrestricted	84,115	1,208,006
	4,829,374	6,142,836
	9,950,514	10,984,256

COMMITMENT (Note 13)

CONTINGENT LIABILITIES (Note 18)

ON BEHALF OF THE BOARD:

Director A. Cabrnenu

Director

See accompanying notes.

APTUS TREATMENT CENTRE

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31

	Net Investment in Property and Equipment	Unre-stricted	2020	2019 (Restated)
	$	$	$	$
BALANCE, beginning of year				
As previously reported	6,270,322	472,054	6,742,376	6,558,780
Prior period adjustments (Note 16)	(1,335,492)	735,952	(599,540)	(237,749)
As restated	4,934,830	1,208,006	6,142,836	6,321,031
Excess (deficiency) of revenue over expenditures				
- Rehabilitation programs	(398,414)	(916,177)	(1,314,591)	(264,712)
- Fundraising	-	1,129	1,129	86,517
	4,536,416	292,958	4,829,374	6,142,836
Investment in property and equipment	208,843	(208,843)	-	-
BALANCE, end of year	4,745,259	84,115	4,829,374	6,142,836

See accompanying notes.

APTUS TREATMENT CENTRE

STATEMENT OF REVENUE AND EXPENDITURES FOR REHABILITATION PROGRAMS
FOR THE YEAR ENDED MARCH 31

	2020 $	2019 (Restated) $
REVENUE		
Government funding	13,936,462	14,216,802
Sundry income and allocation from fundraising	2,178,183	2,112,243
Deferred contributions realized (Note 10)	34,564	28,579
	16,149,209	16,357,624
EXPENDITURES		
Building accommodation		
- Rent	512,979	471,464
- Interest on long-term debt	123,295	101,041
Community programs and other	51,426	70,392
Contracted out services - IT	31,071	42,076
Insurance	92,794	95,543
Office and program supplies	591,080	665,294
Professional services	687,284	345,328
Repairs and maintenance	461,066	555,076
Salaries and benefits	13,885,221	13,144,527
Team building and promotional supplies	40,794	81,178
Telephone and utilities	281,972	312,514
Training	32,943	55,139
Transportation and communication	238,191	248,332
Amortization	433,684	434,432
	17,463,800	16,622,336
DEFICIENCY OF REVENUE OVER EXPENDITURES FROM REHABILITATION PROGRAMS FOR YEAR	(1,314,591)	(264,712)

See accompanying notes.

APTUS TREATMENT CENTRE

STATEMENT OF REVENUE AND EXPENDITURES FOR FUNDRAISING AND OTHER ITEMS
FOR THE YEAR ENDED MARCH 31

	2020 $	2019 (Restated) $
FUNDRAISING		
Donations	186,462	249,947
Golf tournament	265,129	318,530
Other fundraising programs	22,378	24,030
	473,969	592,507
EXPENDITURES		
Administration	100,981	141,087
Golf tournament expenses	51,793	50,866
Other fundraising programs	7,886	9,805
	160,660	201,758
	313,309	390,749
NET CONTRIBUTION DEFERRED	(85,068)	(92,073)
EXCESS OF REVENUE OVER EXPENDITURES FROM FUNDRAISING BEFORE UNDERNOTED	228,241	298,676
ALLOCATION TO REHABILITATION PROGRAMS	(227,112)	(212,159)
EXCESS OF REVENUE OVER EXPENDITURES FROM FUNDRAISING FOR YEAR	1,129	86,517

See accompanying notes.

APTUS TREATMENT CENTRE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

	2020 $	2019 (Restated) $
CASH FLOW FROM (USED BY)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures		
- Rehabilitation program	(1,314,591)	(264,712)
- Fundraising	1,129	86,517
Adjustments for:		
- Amortization	433,684	434,432
- Amortization of deferred contributions related to property and equipment	(34,564)	(28,579)
	(914,342)	227,658
Changes in non-cash working capital		
- Government funding and other receivables	58,243	239,794
- HST rebate receivable	242,053	(209,180)
- Prepaid expenses and deposits	1,625	(13,357)
- Accounts payable and accruals	327,851	(45,998)
- Government remittances payable	22,861	(26,143)
- Deferred revenue	60,766	175,193
	(200,943)	347,967
INVESTING ACTIVITIES		
Purchase of property and equipment	(50,678)	(1,042,265)
FINANCING ACTIVITIES		
Mortgages payable	(63,709)	(59,899)
Bank term loans	(94,456)	502,887
	(158,165)	442,988
DECREASE IN CASH	(409,786)	(251,310)
CASH, BEGINNING OF YEAR	1,660,778	1,912,088
CASH, END OF YEAR	1,250,992	1,660,778

See accompanying notes.

1/ NATURE OF OPERATIONS

The Aptus Treatment Centre (the "Centre") was incorporated under The Corporations Act as a non-profit corporation, without share capital and is a charitable organization. Accordingly, it is exempt from income tax under Section 149 of The Income Tax Act, Canada.

The Centre is primarily funded by the Ministry of Community and Social Services ("MCSS") and Ministry of Children and Youth Services ("MCYS"). The rehabilitation programs are further supported by the Centre's fundraising programs.

The Centre's mission is for individuals and families facing complex challenges to be enriched by their participation in the Centre's tailored child/adult support programs; to live in safe, quality housing; to attain community placements or employment; to participate and be successfully included in the broader community; and to lead healthy, happy and independent lives.

2/ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared in accordance with the accounting principles and standards set out in Part III of the CPA Canada Handbook - Accounting, Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) and include the following significant accounting policies:

Cash

Cash includes funds held in trust on behalf of clients of $7,247 (2019 - $2,561).

Revenue recognition

The Centre follows the deferral method of accounting for contributions which are mainly comprised of government funding for various programs, cash donations and donations-in-kind. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Revenue from fundraising activities are recognized in the period in which these events are performed or completed. Fundraising revenue received for a future period is recorded as deferred revenue in these financial statements.

2/ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of the contribution. Property and equipment are amortized over their estimated useful lives at the following methods and annual rates:

Buildings	-	4%, Declining balance
Greenhouse	-	Straight-line basis over 5 years
Automobiles	-	30%, Declining balance
Computer equipment	-	30%, Declining balance
Furniture and fixtures	-	20%, Declining balance
Leasehold improvements	-	Straight-line basis over 10 years

All additions made during the year are amortized at 50% of the above rates.

Donations-in-kind

Contributions of materials are recognized when a fair value can be reasonably estimated and when the materials are used in the normal course of the Centre's operations and would otherwise have been purchased. While the Centre also benefits from volunteer time, the value of this volunteer time has not been reflected in these statements.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reported year. Such estimates include the useful lives of property and equipment, the allowance for doubtful accounts, accruals, deferred revenue, amounts receivable or repayable to MCSS and MCYS, allocation of expenditures, and valuation of donations-in-kind. Such estimates are periodically reviewed and any adjustments necessary are reported in the excess (deficiency) of revenue over expenditures in the period in which they become known. Actual results could differ from these estimates.

Non-monetary transactions

Non-monetary transactions are those when there is an exchange of non-monetary assets or services for little or no monetary consideration. The Centre accounts for the transactions at the more reliably measurable of the fair value of the asset or service given up and the fair value of the asset or service received. Any gains or losses on such transactions are recognized in the excess (deficiency) of revenue over expenditures. Non-monetary transactions that are not reciprocal in nature are not included in the accounting records.

2/ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Measurement

The Centre initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate, and subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and government funding and other receivables.

Financial liabilities measured at amortized cost include accounts payable and accruals, bank term loans, lien notes payable and mortgages payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of such. The amount of write-down is recognized in net earnings. A previously recognized impairment loss may be reversed to the extent of a recovery in value, directly or by adjusting the allowance account. The amount of the reversal is recognized in net results.

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of impairment loss is determined as the excess of the carrying value of the asset over its fair value. There were no significant indications of impairment of the carrying values on the Centre's long-lived assets as at March 31, 2020.

3/ PROPERTY AND EQUIPMENT

			Net Book Value	
	Cost $	Accumulated Amortization $	2020 $	2019 $
Land	3,403,280	-	3,403,280	3,403,280
Buildings	6,241,987	2,374,928	3,867,059	4,028,194
Greenhouse and landscaping	458,343	320,840	137,503	229,171
Automobiles	605,036	495,101	109,935	71,619
Computer equipment	723,252	668,461	54,791	73,963
Furniture and fixtures	1,371,492	954,177	417,315	480,407
Leasehold improvements	2,876,906	2,699,485	177,421	202,705
	15,680,296	7,512,992	8,167,304	8,489,339

4/ MORTGAGES PAYABLE

	2020 $	2019 $
Secured by the property located at 64 Lorraine Drive, matures on December 1, 2023, bears interest at 6.145% per annum and is repayable in blended monthly payments of $3,135	254,936	276,378
Secured by the property located at 379 Brooke Avenue, matures on December 1, 2025, bears interest at 6.672% per annum and is repayable in blended monthly payments of $3,053	221,954	243,219
Secured by the property located at 17 Westdale Drive, matures on November 1, 2023, bears interest at 5.967% per annum and is repayable in blended monthly payments of $2,836	209,458	230,459
	686,348	750,056
Less: Current portion	67,760	63,708
	618,588	686,348

The Ontario Ministry of Housing is contractually obligated to arrange financing for the above-noted properties, for a period of 35 years, beginning on the commencement date (date of completion of project) for each property.

Principal repayments for the next five years and thereafter on the outstanding mortgages are as follows:

	$
2021	67,760
2022	72,070
2025	76,656
2024	348,404
2025	29,524
Thereafter	91,934
	686,348

The net book value of properties secured (Note 3) is summarized in Note 6.

5/ BANK TERM LOANS

	2020 $	2019 $
Secured by the property located at 111 Anthony Road, matures December 2023, bears interest at 4.30% per annum and is repayable in blended monthly payments of $6,329	729,593	773,006
Secured by the property located at 22 Cherry Hills Road, matures December 2024, bears interest at 4.17% per annum and is repayable in blended monthly payments of $1,680	163,981	176,785
Secured by the property located at 60 Disera Court, Suite 104, matures February 2021, bears interest at 3.18% per annum and is repayable in blended monthly payments of $2,002	299,547	313,848
Secured by the property located at 55 Rockview Gardens, matures October 2020, bears interest at 3.71% per annum and is repayable in blended monthly payments of $679	105,103	109,293
Secured by the property located at 60 Disera Court, Suite 307, matures February 2024, bears interest at 4.31% per annum and is repayable in blended monthly repayments of $3,735	578,482	598,230
	1,876,706	1,971,162
Less: Current portion	484,328	258,574
	1,392,378	1,712,588

The Centre was not in compliance with a covenant in its banking agreement requiring the Centre to have a working capital ratio of at least 1:1 and to provide its annual audited financial statements to the bank within 90 days of the end of its fiscal year. The bank provided an extension on the filing deadline and is working with management with respect to the breach of the working capital ratio covenant.

The net book value of the property secured (Note 3) for the term loan and for the line of credit (Note 8) as at March 31, 2020 is summarized in Note 6.

Principal repayments for the next five years on the bank term loans are as follows:

	$
2021	484,328
2022	83,157
2023	86,786
2024	1,117,821
2025	104,614
	1,876,706

6/ NET BOOK VALUE OF PROPERTY SECURED

Corresponding net book value of property secured (Note 3) as described in Notes 4 and 5 are as follows:

NOTE 4

	2020 $	2019 $
64 Lorraine Drive	466,354	474,859
379 Brooke Avenue	360,114	365,381
17 Westdale Drive	435,105	443,059
	1,261,573	1,283,299

NOTE 5

	2020 $	2019 $
111 Anthony Road	2,919,128	3,060,031
22 Cherry Hills Road	462,990	475,939
60 Disera Court, Suite 104	415,381	430,651
55 Rockview Gardens	300,300	308,683
60 Disera Court, Suite 307	597,629	619,893
	4,695,428	4,895,197

7/ LIEN NOTES PAYABLE

	2020 $	2019 $
Lien note, 6.14% repayable $679 monthly, due May 2023, secured by a vehicle	23,380	-
Lien note, 6.14% repayable $690 monthly, due June 2023, secured by a vehicle	24,353	-
Lien note, 5.98% repayable $863 monthly, due July 2021, secured by a vehicle	13,237	-
	60,970	-
Less: Current portion	23,711	-
	37,259	-

Total carrying value of the assets that are secured (Note 3) is $60,727.

7/ LIEN NOTES PAYABLE (Continued)

The minimum annual payment under these agreements are as follows:

	$
2021	23,711
2022	18,170
2023	15,692
2024	3,397
	60,970

8/ LINE OF CREDIT

The Centre has an operating line of credit available up to a maximum of $350,000, bearing interest at the bank's prime rate plus 0.5% and expires on August 31, 2020. At year end, the amount utilized is $Nil (2019 - $350,000). The line of credit is secured by a general security agreement and first ranking collateral charge/mortgage on property located at 111 Anthony Road, Toronto. The net book value of property secured is disclosed in Note 6.

9/ DEFERRED REVENUE

Deferred revenue consists of the following:

	2020 **$**	**2019 (Restated)** **$**
Funds raised for events and projects taking place after year end	450,522	378,681
Funds earmarked toward repairs of three housing units (64 Lorraine Drive, 379 Brooke Avenue and 17 Westdale Drive)	31,587	42,662
	482,109	421,343

10/ DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

	2020 $	2019 (Restated) $
Balance, beginning of year (i)	832,585	525,133
Add: Contributions received during the year (ii)	-	336,031
Less: Amount amortized to revenue equal to amortization of the related assets	(34,564)	(28,579)
Balance, end of year	798,021	832,585

i) Opening balance for fiscal 2019 related to contributed property and equipment and restricted contributions with which two of the Centre's buildings were originally purchased.

ii) During fiscal 2019, the Centre received funding from MCSS to be used toward Partner Facility Firecode betterments to seven of the Centre's buildings (Note 16).

11/ NET ASSETS

The segregated balance of investment in property and equipment represents the amortized cost of property and equipment less mortgages, bank term loans, lien notes and deferred contributions relating to these assets.

12/ MINISTRY OF COMMUNITY AND SOCIAL SERVICES AND MINISTRY OF CHILDREN AND YOUTH SERVICES

The Centre's final amount to be received from or repayable to the MCSS and MCYS for the year ended March 31, 2020 will not be determined until MCSS and MCYS have reviewed the Centre's financial and statistical returns for that period.

13/ COMMITMENT

The Centre is committed to leases for its premises at 150 Rivermede Road, Concord, Ontario and 40 Samor Road, Toronto, Ontario. The leases expire in October 31, 2021 and April 30, 2022, respectively.

The minimum annual rent under these agreements for the next five years and thereafter is as follows:

		$
2021	-	365,701
2022	-	355,531
2023	-	27,300
		748,532

14/ RELATED PARTY TRANSACTION

During the year, the Centre entered into a ten-year lease agreement for a group home located at 31 Beaton Avenue, Maple, for a nominal amount, which is the exchange amount agreed to by the parties. The landlord of the group home is related to a Director of the Centre's Board.

15/ ECONOMIC DEPENDENCE

The future viability of the Centre is dependent upon continued support from the MCSS and MCYS.

The Centre receives a substantial amount of funding from the MCSS and MCYS, pursuant to a Service Contract entered into by both parties.

16/ PRIOR PERIOD ADJUSTMENTS

During the year, management discovered that certain contributions relating to Camp Jordan had been incorrectly recognized as revenue as of March 31, 2018. As a result, as at March 31, 2018 the deferred contributions were understated and the net assets were overstated by $237,749. Accordingly, the comparative figures as at April 1, 2018 have been restated to increase the deferred contributions and decrease opening net assets by $237,749. During the 2019 year end, the Centre received contributions amounted to $23,659, $12,073 of which was recognized as revenue, which should have been deferred. Accordingly, the comparative figures have been restated to increase the deferred revenue as at March 31, 2019 and decrease revenue for the year ended March 31, 2019 each by $12,073.

During the year, management discovered that certain contributions relating to 55 Rockview Gardens had been incorrectly recognized as revenue during the year ended March 31, 2019. As a result, as at March 31, 2019 the deferred contributions were understated and the net assets were overstated by $20,000. Accordingly, the comparative figures have been restated to increase the deferred revenue as at March 31, 2019 and decrease revenue for the year ended March 31, 2019 each by $20,000.

During the year, management discovered that certain contributions related to property and equipment relating to the MCSS towards capital improvements to seven of the Centre's buildings were incorrectly recognized as revenue during the year ended March 31, 2019. As a result, as at March 31, 2019 the deferred contributions related to property and equipment were understated and the net assets were overstated by $329,718. Accordingly, the comparative figures have been restated to increase the deferred contributions related to property and equipment by $336,031 and recognize revenue in the amount of $6,313, the amount equal to amortization of the related assets, for a net impact of a decrease in revenue for the year ended March 31, 2019 and a decrease in net assets as at March 31, 2019 each by $329,718.

During the year, management discovered that the breakdown of net assets between the net investment in property and equipment and the unrestricted components as presented in the March 31, 2019 financial statements incorrectly allocated components of the net assets related to property and equipment. As a result, as at March 31, 2019 the unrestricted net assets were understated and the net investment in property and equipment were overstated by $1,005,774. Accordingly, the net asset figures as at April 1, 2019 have been restated to include the correction of $1,005,774.

As a result, the beginning balance of net assets as at April 1, 2019 has been restated to $6,142,836.

17/ FINANCIAL INSTRUMENTS

The Centre is exposed to various risks through its financial instruments and has a risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Centre's risk exposure and concentration as of March 31, 2020:

a/ Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Centre is exposed to credit risk on its cash and government and other receivable balances. The Centre's accounts receivable bear minimal credit risk based on past experience.

To manage its credit risk from cash balances the Centre maintains its amounts with credit worthy financial institutions.

b/ Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Centre is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The Centre's line of credit, as described in Note 8, bears interest at the bank's prime rate plus 0.5% and has a balance of $Nil (2019 - $350,000) at year end. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows.

c/ Liquidity risk

Liquidity risk is the risk that the Centre will encounter difficulty in meeting obligations associated with the settlement of its financial liabilities. The Centre has a comprehensive plan in place to meet its obligations as they become due, primarily from cash flow from government funding of various programs.

18/ CONTINGENT LIABILITIES

Two claims were filed with the Human Rights Tribunal of Ontario against the Centre with the claimants seeking damages of $325,000 in aggregate. Liability of one claim is indeterminable. The Centre's estimate of possible outcome and financial consequence of the other claim is not believed to be material. The Centre will vigorously defend these claims. No amounts have been provided in the financial statements.

19/ COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.