

NUCLEUS INDEPENDENT LIVING
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Nucleus Independent Living

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nucleus Independent Living ("Nucleus"), which comprise the statement of financial position as at March 31, 2019, 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 Nucleus as at March 31, 2019, 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 Nucleus 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 ability of Nucleus 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 Nucleus or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Nucleus.

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 internal control of Nucleus.

Nucleus Independent Living
Toronto, Ontario
May 27, 2019

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 ability of Nucleus to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Nucleus 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario
May 27, 2019

Chartered Professional Accountants
Licensed Public Accountants

NUCLEUS INDEPENDENT LIVING

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

| | 2019 | 2018 |
|---|---------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 1,663,383 | \$ 687,688 |
| Accounts receivable | 134,150 | 143,565 |
| Prepaid expenses | 142,634 | 69,831 |
| | <u>1,940,167</u> | <u>901,084</u> |
| Capital assets (note 3) | 42,172 | 91,347 |
| | <u>1,982,339</u> | <u>992,431</u> |
| LIABILITIES AND FUND BALANCES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 4) | 1,854,232 | 823,920 |
| Deferred contributions (note 5) | 42,892 | 42,892 |
| | <u>1,897,124</u> | <u>866,812</u> |
| Deferred capital contributions (note 6) | 42,172 | 91,347 |
| | <u>1,939,296</u> | <u>958,159</u> |
| Net assets | | |
| Operating fund - unrestricted | 40,315 | 21,544 |
| McCallen Fund (note 1) | 2,728 | 12,728 |
| | <u>43,043</u> | <u>34,272</u> |
| | <u>\$ 1,982,339</u> | <u>\$ 992,431</u> |

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

_____, Director _____, Director

NUCLEUS INDEPENDENT LIVING

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2019

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Revenues | | |
| Mississauga Halton LHIN funding | \$ 15,283,823 | \$ 15,285,489 |
| Other contributions | 134,470 | 175,120 |
| Interest income | 5,894 | 3,239 |
| Donations | 180 | 235 |
| | 15,424,367 | 15,464,083 |
| Expenses | | |
| Attendant, housekeeping and administrative wages | 9,612,834 | 9,801,236 |
| Employee benefits (<i>note 7</i>) | 1,279,937 | 1,339,893 |
| Purchased client services | 2,498,338 | 2,417,165 |
| Travel associated with delivery of services | 442,499 | 444,840 |
| Human resources and contract employees | 62,899 | 77,962 |
| Occupancy costs | 482,570 | 457,258 |
| General and office | 582,686 | 547,138 |
| Telephone, postage and deliveries | 240,653 | 168,156 |
| Legal, audit and accounting | 87,015 | 26,139 |
| Depreciation | 49,175 | 67,770 |
| Meetings, workshops and conferences | 55,366 | 86,023 |
| Insurance | 21,624 | 21,228 |
| | 15,415,596 | 15,454,808 |
| Excess of revenues over expenses for the year | \$ 8,771 | \$ 9,275 |

The accompanying notes are an integral part of these financial statements.

NUCLEUS INDEPENDENT LIVING
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2019

| 2019 | Invested in Capital Assets | Operating Fund | McCallen Fund | Total |
|--|---------------------------------------|---------------------------|--------------------------|--------------|
| Balance - at beginning of year | \$ - | \$ 21,544 | \$ 12,728 | \$ 34,272 |
| Excess of revenues over expenses for the year | - | 8,771 | - | 8,771 |
| Interfund transfers representing: | | | | |
| Depreciation | (49,175) | 49,175 | - | - |
| Amortization of deferred capital contributions | 49,175 | (49,175) | - | - |
| Used to support consumer independent living activities | - | 10,000 | (10,000) | - |
| Balance - at end of year | \$ - | \$ 40,315 | \$ 2,728 | \$ 43,043 |

| 2018 | Invested in Capital Assets | Operating Fund | McCallen Fund | Total |
|--|---------------------------------------|-----------------------|----------------------|--------------|
| Balance - at beginning of year | \$ - | \$ 12,269 | \$ 12,728 | \$ 24,997 |
| Excess of revenues over expenses for the year | - | 9,275 | - | 9,275 |
| Interfund transfers representing: | | | | |
| Depreciation | (67,770) | 67,770 | - | - |
| Amortization of deferred capital contributions | 67,770 | (67,770) | - | - |
| Balance - at end of year | \$ - | \$ 21,544 | \$ 12,728 | \$ 34,272 |

The accompanying notes are an integral part of these financial statements.

NUCLEUS INDEPENDENT LIVING

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2019

| | 2019 | 2018 |
|--|---------------------|------------|
| Cash flows from operating activities | | |
| Excess of revenues over expenses for the year | \$ 8,771 | \$ 9,275 |
| Items not affecting cash flow | | |
| Depreciation of capital assets | 49,175 | 67,770 |
| Amortization of deferred capital contributions | (49,175) | (67,770) |
| | 8,771 | 9,275 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 9,415 | (20,693) |
| Prepaid expenses | (72,803) | 42,893 |
| Accounts payable and accrued liabilities | 1,030,312 | (292,417) |
| Deferred contributions | - | 25,000 |
| Change in cash during the year | 975,695 | (235,942) |
| Cash - at beginning of year | 687,688 | 923,630 |
| Cash - at end of year | \$ 1,663,383 | \$ 687,688 |

The accompanying notes are an integral part of these financial statements.

NUCLEUS INDEPENDENT LIVING

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

Nucleus Independent Living ("Nucleus") enables adults who require assistance in their daily activities to live independently in their own homes.

Nucleus provides 24 hour support services for persons with physical disabilities and seniors over 65 years of age. The first consumer moved into the Nucleus I premises in 1983. A second project, Nucleus II, commenced operations in February 1991. Attendant Outreach Program was started in 1999. It provides attendant services to people in their homes in Mississauga and Brampton. The Supports for Daily Living (SDL) Program was launched in January 2009 to provide mobile attendant services to seniors living in the Mississauga - Halton area. The In-Home Respite Care Program began in January 2010 which provides community support services to seniors living in the Mississauga Halton LHIN area as an alternative to Long-Term Care home replacement.

Nucleus is a not-for-profit organization incorporated without share capital under the laws of the Province of Ontario. It is also registered with Canada Revenue Agency as a charitable organization and, as such, is exempt from income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below:

Basis of Accounting

Operating Fund

The operating fund accounts for the day-to-day program delivery and administrative activities funded by Mississauga Halton LHIN and other contributors.

McCallen Fund

The McCallen Fund is an internally restricted fund to support consumer independent living activities and any other such activities not funded with the Nucleus' operating funds. The fund will only be utilized where all other funding opportunities have been exhausted.

During the year, with the approval of the Board of Directors, \$10,000 (2018 - \$NIL) was transferred to the operating fund.

Financial Instruments

(i) Measurement of financial instruments

Nucleus initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

Nucleus subsequently measures its financial assets and liabilities at amortized cost.

Financial assets and liabilities are measured at amortized cost include cash, accounts receivable and accounts payable and accrued liabilities.

NUCLEUS INDEPENDENT LIVING

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write-down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment. The amount of the reversal is recognized in income in the period that the reversal occurs.

Capital Assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as property and equipment, otherwise, costs are expensed as incurred. The cost of property and equipment comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Capital assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided for, upon the commencement of the utilization of the assets, using methods and rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual depreciation rates and methods are as follows:

| | |
|---------------------------------|------------------------------|
| Office furniture and equipment | - 5 years |
| Computer equipment and software | - 3 years |
| Leasehold improvements | - over the term of the lease |

Property and equipment is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, if any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the property and equipment to its fair value. Any impairment of property and equipment is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the property and equipment subsequently increases.

Deferred Capital Contributions

Externally restricted contributions for the acquisition of capital assets that will be depreciated or amortized are deferred and amortized over the life of the related capital assets. Externally restricted capital contributions that have not been expended are recorded as part of the deferred capital contributions on the statement of financial position.

NUCLEUS INDEPENDENT LIVING

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

(a) Contributions

Nucleus follows the deferral method of accounting for contributions which include donations, government grants and other contributions.

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.

Externally restricted contributions which include donations and contributions from Mississauga Halton Local Health Integration Network ("LHIN") are recognized as revenue in the year in which the related expenses are incurred. 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 in that subsequent period.

Donations are recognized as revenue when received

(b) Interest income is recognized as revenue when earned.

Mississauga Halton LHIN - Operating Grant

Mississauga Halton LHIN provides financial support to Nucleus on the basis of an approved operating budget for the year. These financial statements reflect approved funding arrangements with Mississauga Halton LHIN, together with estimated adjustments, if any, on year end settlement.

Contributed Goods and Services

Volunteers (including directors and officers of Nucleus) contribute significant amounts of time to assist Nucleus in carrying out its service delivery activities. Nucleus also, from time to time, receives donations of goods. Because of the difficulty in determining their fair value, contributed goods and services are not recognized in the financial statements.

Use of Estimates

The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas where management has made difficult, complex or subjective judgments, include useful lives of capital assets and valuation of other assets and liabilities. Actual results could differ from these and other estimates, the impact of which would be recorded in future affected periods.

NUCLEUS INDEPENDENT LIVING

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

2. FINANCIAL INSTRUMENT RISK MANAGEMENT

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to Nucleus's financial instruments.

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. Nucleus' main credit risks relate to accounts receivable. Nucleus is not exposed to significant credit risk on its accounts receivable.

Liquidity Risk

Liquidity risk is the risk that Nucleus will encounter difficulty in meeting obligations associated with financial liabilities. Nucleus is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and lease commitments. Nucleus expects to meet these obligations as they come due from the operating grants it receives from Mississauga Halton LHIN and other funders.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Nucleus is not exposed to significant market risk.

Changes in Risk

There have been no changes in Nucleus' risk exposure from that of the prior year.

3. PROPERTY AND EQUIPMENT

Details of property and equipment are as follows:

| <i>2019</i> | <i>Cost</i> | <i>Accumulated Depreciation</i> | <i>Net Book Value</i> |
|---------------------------------|-------------------|-------------------------------------|---------------------------|
| Office furniture and equipment | \$ 241,442 | \$ 215,764 | \$ 25,678 |
| Computer equipment and software | 236,697 | 228,130 | 8,567 |
| Leasehold improvements | 28,742 | 20,815 | 7,927 |
| | \$ 506,881 | \$ 464,709 | \$ 42,172 |

| <i>2018</i> | <i>Cost</i> | <i>Accumulated Depreciation</i> | <i>Net Book Value</i> |
|---------------------------------|-------------------|-------------------------------------|-----------------------|
| Office furniture and equipment | \$ 241,442 | \$ 194,652 | \$ 46,790 |
| Computer equipment and software | 236,697 | 204,655 | 32,042 |
| Leasehold improvements | 28,742 | 16,227 | 12,515 |
| | \$ 506,881 | \$ 415,534 | \$ 91,347 |

NUCLEUS INDEPENDENT LIVING

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Details of accounts payable and accrued liabilities are as follows:

| | 2019 | 2018 |
|--|---------------------|-------------------|
| Accounts payable and accrued liabilities | \$ 759,763 | \$ 80,270 |
| Employee payroll obligations | 547,922 | 611,783 |
| Mississauga Halton LHIN recoverable | 450,277 | 31,172 |
| Government remittances payable | 96,270 | 100,678 |
| Pension contribution payable | - | 17 |
| | \$ 1,854,232 | \$ 823,920 |

5. DEFERRED CONTRIBUTIONS

The details of deferred contributions are as follows:

| | Balance at March 31, 2018 | Funds Received in 2019 | Transferred to Revenue in 2019 | Balance at March 31, 2019 |
|------------------------------|------------------------------|---------------------------|-----------------------------------|------------------------------|
| Nukability Fund | \$ 17,892 | \$ - | \$ - | \$ 17,892 |
| Community Care Access Centre | 25,000 | - | - | 25,000 |
| | \$ 42,892 | \$ - | \$ - | \$ 42,892 |

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized and unexpended amount of contributions received for the purchase of capital assets. The changes in deferred capital contributions are as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| Balance - at beginning of year | \$ 91,347 | \$ 159,117 |
| Amortization of deferred capital contributions | (49,175) | (67,770) |
| Balance - at end of year | \$ 42,172 | \$ 91,347 |

Net assets invested in capital assets consist of the following:

| | | |
|--------------------------------|-------------|-------------|
| Capital assets | \$ 42,172 | \$ 91,347 |
| Deferred capital contributions | (42,172) | (91,347) |
| | \$ - | \$ - |

7. PENSION EXPENSE

Nucleus contributes to a defined contribution pension plan which covers all employees, following the completion of 450 hours of service. Required contributions for the year are calculated at 2% of wages. These contributions are recorded as an expense in the Statement of Operations. Pension expense for the year was \$119,720 (\$109,977 - 2018).

NUCLEUS INDEPENDENT LIVING

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2019

8. LEASE COMMITMENTS

Nucleus has operating lease commitments in respect of its office premises which expire in March 2026. The minimum annual lease payments for the next five years and thereafter are as follows:

| | | |
|----------------|----|------------------|
| March 31, 2020 | \$ | 262,596 |
| 2021 | | 262,596 |
| 2022 | | 270,554 |
| 2023 | | 270,554 |
| 2024 | | 270,554 |
| Thereafter | | 541,107 |
| | \$ | <u>1,877,961</u> |

In addition, Nucleus is obligated to pay annually, its proportionate share of taxes and operating costs which amounted to \$160,044 for 2019 (\$160,044 - 2018).

9. CONTINGENT LIABILITY

There is currently a matter under review to assess whether Nucleus has a potential liability. As the outcome of this matter is not determinable at this time, no amounts have been recorded in the financial statements.

10. GUARANTEES AND INDEMNITIES

Nucleus has indemnified its past, present and future directors, officers and volunteers against expenses (including legal expenses), judgments and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding, subject to certain restrictions in which they are sued as a result of their involvement with Nucleus, if they acted honestly and in good faith with a view to the best interest of Nucleus. Nucleus has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits and actions, but there is no guarantee that the coverage will be sufficient should any action arise.

In the normal course of business, Nucleus has entered into agreements that include indemnities in favour of third parties, either express or implied, such as in service contracts and purchase contracts. In these agreements, Nucleus agrees to indemnify the counterparties in certain circumstances against losses or liabilities arising from the acts or omissions of Nucleus. The terms of these indemnities are not explicitly defined and the maximum amount of any potential liability cannot be reasonably estimated.

HILBORN

LISTENERS. THINKERS. DOERS.