Financial Statements of

COMMUNITY LIVING TORONTO

And Independent Auditors' Report thereon

Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of Community Living Toronto

Opinion

We have audited the financial statements of Community Living Toronto (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity as at March 31, 2020, and its results of 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' 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.

KPMG

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 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.

Auditors' 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 auditors' 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 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 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 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 auditors' 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 auditors' 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.
- 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

Vaughan, Canada

July 30, 2020

COMMUNITY LIVING TORONTO

Statement of Financial Position
(Expressed in thousands of dollars)

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 1,521	$ 2,290
Accounts receivable (note 2)	3,351	3,108
Capital funding receivable - current (note 3)	455	780
Prepaid expenses	1,874	1,326
Due from related party (note 4)	193	–
Short-term investments (note 5)	13,562	14,331
	20,956	21,835
Capital funding receivable (note 3)	1,595	1,715
Capital assets (note 6)	23,866	24,390
	$ 46,417	$ 47,940
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 11,885	$ 12,514
Mortgages payable - current (note 10)	455	780
Deferred revenue	1,178	1,783
Current portion of long-term debt (note 11)	395	–
	13,913	15,077
Mortgages payable - long term (note 10)	1,595	1,715
Long-term debt (note 11)	4,696	–
Deferred contributions - expense of future periods (note 12(a))	7,605	7,152
Deferred contributions - capital assets (note 12(b))	1,383	1,490
	29,192	25,434
Net assets:		
Invested in capital assets (note 13)	22,483	22,900
Endowments (note 15)	83	82
Internally restricted funds (note 16)	5,562	5,572
Unrestricted	(10,903)	(6,048)
	17,225	22,506
Subsequent events (notes 6 and 23)		
Commitments (note 17)		
Guarantee (note 18)		
Contingency (note 19)		
	$ 46,417	$ 47,940

See accompanying notes to financial statements.

On behalf of the Board:

Stilme Director

McCallas Director

COMMUNITY LIVING TORONTO

Statement of Operations
(Expressed in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Ministry of Children, Community and Social Services (note 9)	$ 74,650	$ 75,013
Other revenue	7,738	5,008
User fees	5,141	4,772
City of Toronto	2,984	2,891
United Way	1,180	963
Entrepreneurial ventures	1,351	1,601
Amortization of deferred contributions (note 12(a))	730	862
Realized gain on short-term investments	390	16
Interest	9	72
Unrealized gain (loss) on short-term investments	(560)	315
	93,613	91,513
Expenses:		
Salaries and benefit (note 14)	63,890	58,989
Purchased services	16,804	15,093
Occupancy costs	8,222	9,253
Supplies	5,841	4,621
Travel and transportation	1,957	2,064
Other program costs	739	608
Education and training	194	619
	97,647	91,247
Excess (deficiency) of revenue over expenses before the undernoted items	(4,034)	266
Amortization of deferred capital contributions (note 12(b))	107	107
Gain (loss) on sale/transfer of capital assets	(78)	16,566
Amortization of capital assets	(678)	(589)
	(649)	16,084
Excess (deficiency) of revenue over expenses	$ (4,683)	$ 16,350

See accompanying notes to financial statements.

COMMUNITY LIVING TORONTO

Statement of Changes in Net Assets
(Expressed in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

	Invested in capital assets	Endowments	Internally restricted funds	Unrestricted	2020 Total	2019 Total
Net assets, beginning of year	$ 22,900	$ 82	$ 5,572	$ (6,048)	$ 22,506	$ 5,927
Excess (deficiency) of revenue over expenses (note 13)	(649)	–	–	(4,034)	(4,683)	16,350
Net change in investments in capital assets (note 13)	232	–	–	(232)	–	–
Land contribution	–	–	–	–	–	535
Addition to endowment (note 15)	–	1	–	–	1	–
Transfer from internally restricted funds - membership fees	–	–	(10)	–	(10)	–
Transfer of endowments to deferred contribution (note 15)	–	–	–	–	–	(36)
Pension remeasurements and other items (note 14)	–	–	–	(589)	(589)	(270)
Net assets, end of year	$ 22,483	$ 83	$ 5,562	$ (10,903)	$ 17,225	$ 22,506

See accompanying notes to financial statements.

COMMUNITY LIVING TORONTO

Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	$ (4,683)	$ 16,350
Adjusted for the following non-cash items:		
Unrealized loss (gain) on short-term investments	560	(315)
Amortization of deferred contributions - expense of future periods (note 12(a))	(730)	(862)
Amortization of deferred capital contributions (note 12(b))	(107)	(107)
Amortization of capital assets	678	589
Loss (gain) on disposal of capital assets	78	(16,566)
Pension benefit expense (note 14)	842	2,486
Pension transfer expense financed by long-term debt	5,091	–
Change in non-cash operating working capital (note 20)	(2,025)	2,609
Employer pension contributions (note 14)	(1,431)	(2,756)
Deferred contributions received related to future periods (note 12(a))	1,183	1,627
Decrease in internally restricted funds	(10)	–
Cash flows from (used in) operating activities	(554)	3,055
Cash flows from financing activities:		
Receipt of capital funding receivable	445	434
Decrease in bank indebtedness	–	(1,879)
Payments of mortgages payable	(445)	(434)
Payment of equity term loan	–	(1,938)
Proceeds from committed reducing term facility	5,000	–
Payment of committed reducing term facility	(84)	–
Cash flows from (used in) financing activities	4,916	(3,817)
Cash flows from investing activities:		
Due from related party (note 4)	(193)	–
Purchase of short-term investments	(3,291)	(14,016)
Purchase of capital assets	(5,148)	(503)
Proceeds on sale of capital assets	–	17,072
Redemption of short-term investments	3,500	–
Receipts of endowment - externally restricted	1	–
Cash flows from (used in) investing activities	(5,131)	2,553
Increase (decrease) in cash and cash equivalents	(769)	1,791
Cash and cash equivalents, beginning of year	2,290	499
Cash and cash equivalents, end of year	$ 1,521	$ 2,290

COMMUNITY LIVING TORONTO

Statement of Cash Flows (continued)
(Expressed in thousands of dollars)

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Supplemental disclosures relating to non-cash financing and investing activities:		
Transfer of capital assets and associated committed reducing term facility (note 6)	$ 4,916	$ –
Increase in capital assets due to the acquisition of a donated building	–	(565)
Increase in deferred capital contributions due to the acquisition of a donated building	–	565
Increase in capital assets due to the acquisition of donated land	–	(535)
Increase in unrestricted funds due to the acquisition of donated land	–	535
Increase in deferred contributions due to the transfer of endowments to deferred contributions	–	(36)
Decrease in endowments due to the transfer of endowments to deferred contributions	–	36

See accompanying notes to financial statements.

Community Living Toronto ("CLT") is a not for profit organization, incorporated without share capital under the laws of Ontario. CLT is principally involved in serving people with developmental disabilities. CLT is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

CLT follows the deferral method of accounting for contributions.

(i) Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Purchases of land from restricted contributions are accounted for as direct increases to net assets.

(ii) Endowment contributions are recognized as direct increases in endowment net assets. Restricted income from endowments is shown as deferred contribution and recognized as revenue in the year in which related expenses are incurred. Unrestricted income from endowments is recognized as revenue in the year earned.

(iii) 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.

(iv) Other revenue consists primarily of residential user fees, user fee per diems and miscellaneous services provided to customers through agencies. Revenue related to these services are recognized when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured, and amounts have been earned.

1. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents include operating accounts and guaranteed investment certificates which are highly liquid with original maturities of less than three months.

(c) 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.

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. These costs are amortized using the straight-line method.

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, CLT 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 CLT 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 carrying value.

(d) Contributed materials and services:

During the year CLT received contributions of materials and services. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in the financial statements.

1. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to CLT's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight-line basis based on the following useful life:

Buildings	15 - 25 years
Equipment, computer hardware and software	5 - 10 years

(f) Pension:

CLT sponsors defined benefit pension plans, which cover substantially all of its employees. These plans are both contributory and non-contributory plans and are final average plans.

CLT uses the immediate recognition approach to account for its defined benefit plans. CLT accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalations, retirement ages of employees and other actuarial factors). The measurement date of the plan assets and accrued benefit obligation coincides with CLT's fiscal year. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2018.

1. Significant accounting policies (continued):

The defined benefit asset/liability is the benefit obligation less fair value of assets, adjusted for any valuation allowance. Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period and are immediately recognized in the statement of changes in net assets. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. These differences between actual results and actuarial assumptions are reported as pension remeasurements and other items in the statement of changes in net assets.

Past service costs arising from plan amendments are immediately recognized as pension remeasurements in the statement of changes in net assets.

On June 14, 2019, CLT entered into a Memorandum of Agreement ("MOA") to become a participating employer in the Colleges of Applied Arts and Technology Pension Plan ("CAAT Plan"). As a result, CLT's defined benefit pension plans ("Employee and Executive Pension Plans") have been amended to cease member contributions and freeze credited service, effective September 30, 2019. Effective October 1, 2019, CLT agreed to remit all required employer contributions to the CAAT Plan in accordance with the terms of the plan. CLT expenses its cash contributions to the CAAT Plan under the accounting requirements for a multi-employer plan.

(g) Use of estimates:

The preparation of the financial statements 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 financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, employee related obligations, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

(Expressed in thousands of dollars)

2. Accounts receivable:

	2020	2019
Accounts receivable	$ 3,444	$ 3,201
Less allowance for doubtful accounts	93	93
	$ 3,351	$ 3,108

3. Capital funding receivable:

This balance represents amounts due from the Ministry of Children, Community and Social Services ("MCCSS") to fund the purchases of various buildings and houses. These amounts are received annually when related mortgage payments are made.

4. Related party balances and transactions:

(a) GroundUp Toronto ("GUT"):

During the fiscal year, GUT was incorporated for the purpose of providing and operating supportive, inclusive and accessible housing with or without any public space, recreational facilities, and commercial space or buildings appropriate thereto, primarily for persons with disabilities. GUT is incorporated under the Canada Not-for-Profit Corporations Act. CLT has the ability to control GUT by virtue of CLT's right to appoint the majority of GUT's Board of Directors.

GUT has not been consolidated in CLT's financial statements. A summary of the financial information for GUT as at March 31, 2020 and for the period from March 6, 2020 (date of incorporation) to March 31, 2020 is as follows:

Statement of financial position:	
Total assets	$ 5,107
Total liabilities	5,117
	$ (10)

(Expressed in thousands of dollars)

4. Related party balances and transactions (continued):

Statement of operations:		
Total expenses	$	10
Statement of cash flows:		
Cash flows used in operating activities	$	(2)
Cash flows from financing activities		5,109
Cash flows used in investing activities		(5,107)

(b) Related party balance and transactions:

Due from related party includes $193 (2019 - nil) receivable from GUT for certain invoices paid for by CLT on behalf of GUT.

5. Short-term investments:

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	$ 969	$ 978	$ 1,370	$ 1,370
Equities	3,932	3,518	4,114	4,357
Fixed income	8,013	8,174	7,697	7,769
Other funds	893	892	835	835
	$ 13,807	$ 13,562	$ 14,016	$ 14,331

6. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 17,792	$ –	$ 17,792	$ 17,792
Buildings	18,144	13,304	4,840	5,175
Equipment, computer hardware and software	6,496	5,262	1,234	1,423
	$ 42,432	$ 18,566	$ 23,866	$ 24,390

6. Capital assets (continued):

On May 3, 2019, CLT entered into a purchase and sale agreement to acquire property at 65 The East Mall Crescent, Etobicoke, Ontario for an amount of $4,900. The transaction closed on July 15, 2019. CLT recorded the property at acquisition price in the amount of $5,089, of which $2,258 and $2,831 was attributed to land and building, respectively.

On March 24, 2020, CLT entered into an agreement to transfer the property at 65 The East Mall Crescent, Etobicoke, Ontario (the "65 East Mall") to GUT, an entity controlled by CLT. The carrying value of the property at the time of transfer was $4,994. As consideration for the transfer, GUT assumed the debt obligation associated with the property from CLT in the amount of $4,916 (note 7). A loss from the transfer of the property has been recorded in the amount of $78. Subsequent to year-end, CLT entered into an agreement to lease back the property from GUT, effective April 1, 2020.

7. Credit facilities:

On August 23, 2019, CLT entered into an agreement with TD Canada Trust ("TD") for credit facilities. The credit facilities include a $5,000 operating loan at the bank prime rate plus 0.5% and a committed reducing term facility of $5,000 at the bank prime rate plus 0.5% or at a fixed rate depending on the form of borrowing. During the year, CLT borrowed an amount of $5,000 under the committed reducing term facility to finance the purchase of the property outlined in note 6. On March 31, 2020, GUT assumed the outstanding amount under this facility as part of the transfer of this property.

On March 24, 2020, CLT obtained a restated credit agreement with TD to include GUT as a borrower under the agreement. The credit facilities are as follows:

(a) Operating loan available at the borrower's option by way of prime rate based loans in CAD $ for working capital and general corporate purposes. This is available to GUT and CLT to a maximum of $5,000 and bears interest at prime plus 0.5% per annum. As at March 31, 2020, CLT had borrowed nil (2019 - nil) and GUT had borrowed nil (2019 - nil) under this facility.

(b) Committed reducing term facility available to GUT of $4,916 to finance the purchase of the property located at 65 The East Mall.

(Expressed in thousands of dollars)

7. Credit facilities (continued):

(c) Demand loan available at GUT's option by way of prime rate based loans to a maximum of $1,200 to finance leasehold improvements at 65 The East Mall and bears interest at prime plus 0.5% per annum.

The credit facilities are secured by the following:

(a) Continuing collateral mortgage representing a first charge on certain real property beneficially owned by and registered in the name of CLT and GUT in the principal amount of $11,200.

(b) General security agreement.

(c) Assignment of fire insurance, rents and leases on certain property.

(d) Unlimited guarantee of advances executed by CLT in support of GUT or GUT in support of CLT.

Under the terms of the credit facilities agreement, CLT is required to comply with certain financial and non-financial covenants. As at March 31, 2020, CLT was in compliance with the covenants.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable as follows:

	2020	2019
Payroll remittances	$ 519	$ 527
Workplace safety and insurance board	107	124
	$ 626	$ 651

(Expressed in thousands of dollars)

9. Ministry of Children, Community and Social Services:

CLT's final amount to be received from or repayable to the MCCSS for the year ended March 31, 2020 will not be determined until MCCSS has reviewed CLT's financial and statistical returns for that period. The management of CLT considers the amounts receivable from or repayable to MCCSS to include all proper adjustments for non-allowance costs.

10. Mortgages payable:

Mortgages payable consists of 25 (2019 - 25) mortgages, which bear interest at varying rates from 1.11% to 8.00% (2019 - 1.11% to 8.00%). These mortgages mature at various dates from April 1, 2021 to June 1, 2025 (2019 - November 1, 2019 to June 1, 2025). Total interest expense on mortgages payable is $57 (2019 - $71).

Future principal payments required on mortgages for the next five years and thereafter are as follows:

2021	$ 455
2022	418
2023	333
2024	148
2025	74
Thereafter	622
	$ 2,050

(Expressed in thousands of dollars)

10. Mortgages payable (continued):

Property	Particulars: Interest rate	Particulars: Renewal date	Particulars: Monthly payment inclusive of interest (Actual amount)	Principal Balance, March 31, 2020	Principal balance, March 31, 2019
Annette	2.960%	July 1, 2023	$ 1,769	$ 157	$ 174
Mavety	2.700%	April 1, 2024	1,958	91	112
Exford	2.310%	April 1, 2025	2,485	141	167
Aspenwood	2.490%	December 1, 2024	2,061	194	214
Wellesworth	1.110%	April 1, 2021	1,610	76	94
Fairview	1.110%	April 1, 2021	1,880	90	111
Lakeshore	1.855%	June 1, 2021	1,205	43	57
Quarry	1.855%	June 1, 2021	1,900	68	90
Marydon	1.300%	February 1, 2022	794	18	27
Dale	1.300%	May 1, 2022	1,243	32	46
Whitehorn	1.300%	May 1, 2022	1,338	33	49
Sheppard	1.300%	June 1, 2022	1,631	76	95
Royal York	1.300%	June 1, 2022	1,615	77	95
Burnview	1.300%	June 1, 2022	1,726	63	82
Kingston	1.300%	June 1, 2022	974	26	37
Folcroft	1.915%	July 1, 2022	2,049	102	125
Roundwood	2.820%	August 1, 2022	2,570	206	231
Hepscott	1.840%	August 1, 2022	968	27	38
Willard	2.620%	October 1, 2022	2,165	114	137
Resolution	1.970%	December 1, 2022	1,143	37	50
Reidmount	1.970%	December 1, 2022	1,801	58	78
Empire	6.145%	December 1, 2023	1,609	64	79
Hobden Place	5.755%	May 1, 2024	2,248	100	120
Simpson	5.755%	May 1, 2024	2,737	121	146
Margaret	8.000%	June 1, 2025	698	36	41
Total			$ 42,177	2,050	2,495
Less current portion				455	780
Total long term portion				$ 1,595	$ 1,715

(Expressed in thousands of dollars)

11. Long-term debt:

On June 14, 2019, CLT entered into a Memorandum of Agreement ("MOA") to effect the transfer of assets and liabilities from CLT's Employee and Executive Pension Plans to the Colleges of Applied Arts and Technology Pension Plan ("CAAT Plan"). As part of the MOA, CLT is required to pay an amount of $9,210 (the "Transfer Price") to fund the determined CAAT Plan deficiency. On March 6, 2020, CLT paid $4,500 of the Transfer Price. On the same day, CLT entered into a loan agreement with the CAAT Plan to finance an amount of $5,091 (the "Transfer Price Loan") being the remaining Transfer Price of $4,710 and additional interest of $381. The Transfer Price Loan will be repaid monthly over a term of 10 years, bearing interest at 7%.

The following amounts are outstanding with respect to the Transfer Price Loan:

	2020	2019
Term loan, bearing interest at 7%, requiring monthly repayments of principal and interest of $58, due on June 30, 2030	$ 5,091	$ –
Less current portion of long-term debt	395	–
	$ 4,696	$ –

Scheduled principal repayments are as follows:

2021	$ 395
2022	392
2023	419
2024	449
2025 and thereafter	3,436
	$ 5,091

(Expressed in thousands of dollars)

12. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

	2020	2019
Balance, beginning of year	$ 7,152	$ 6,351
Amount received related to future period	1,183	1,663
Amount recognized as revenue	(730)	(862)
Balance, end of year	$ 7,605	$ 7,152

(b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2020	2019
Balance, beginning of year	$ 1,490	$ 1,032
Less amounts amortized to revenue	(107)	(107)
Add amounts capitalized	–	565
Balance, end of year	$ 1,383	$ 1,490

13. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2020	2019
Capital assets	$ 23,866	$ 24,390
Amounts financed by:		
Deferred contributions	(1,383)	(1,490)
Mortgages payable	(2,050)	(2,495)
Capital funding receivable	2,050	2,495
	$ 22,483	$ 22,900

(Expressed in thousands of dollars)

13. Invested in capital assets (continued):

Change in net assets invested in capital assets is calculated as follows:

	2020	2019
Excess (deficiency) of revenue over expenses:		
Amortization of deferred capital contributions	$ 107	$ 107
Amortization of capital assets	(678)	(589)
Gain (loss) on sale/transfer of capital assets	(78)	16,566
	$ (649)	$ 16,084
Net change in invested in capital assets:		
Purchase of capital assets	$ 5,148	$ 503
Acquisition of donated capital assets	–	1,100
Amount funded by deferred contributions	–	(565)
Proceeds on sale of capital assets	–	(17,072)
Payment under equity term loan	–	1,938
Repayment of mortgage	(445)	(434)
Capital funding received	445	434
Transfer of committed reducing term facility used to finance capital asset additions	(4,916)	–
	$ 232	$ (14,096)

14. Pension plan:

Information about CLT's Employee and Executive Pension Plans is as follows:

	Employee plan		Executive plan		Total	
	2020	2019	2020	2019	2020	2019
Accrued benefit obligation	$ (87,881)	$ (93,263)	$ (7,178)	$ (7,369)	$ (95,059)	$ (100,632)
Market value of assets	97,452	101,118	7,879	8,296	105,331	109,414
Valuation allowance	(9,571)	(7,855)	(701)	(927)	(10,272)	(8,782)
Accrued pension asset	$ –	$ –	$ –	$ –	$ –	$ –

(Expressed in thousands of dollars)

14. Pension plan (continued):

Continuity of the accrued benefit asset (obligation) as follows:

	Employee plan 2020	Employee plan 2019	Executive plan 2020	Executive plan 2019	Total 2020	Total 2019
Balance, beginning of year	$ –	$ –	$ –	$ –	$ –	$ –
Benefit expense	(763)	(2,266)	(79)	(220)	(842)	(2,486)
Employer contributions	1,269	2,439	162	317	1,431	2,756
Remeasurements and other items	(506)	(173)	(83)	(97)	(589)	(270)
Balance, end of year	$ –	$ –	$ –	$ –	$ –	$ –

Based on current interpretations of the pension guidelines, management assessed that a valuation allowance was required in the amount of $10,272 (2019 - $8,782). The change has been applied as a charge directly to net assets in the amount of $1,490 (2019 -$763).

On June 14, 2019, CLT entered into a Memorandum of Agreement ("MOA") to become a participating employer in the Colleges of Applied Arts and Technology Pension Plan ("CAAT Plan"). As a result, the future benefit accruals and earnings have been frozen for the Employee and Executive Pension Plans and CLT is not required to make any additional contributions in respect of the plans, effective September 30, 2019. This resulted in a curtailment gain of $8,670 (2019 - nil) which has been applied as a direct increase to net assets. As at March 31, 2020, the transfer of the Employee and Executive Pension Plans assets to the CAAT Plan has not occurred as CLT has not received the required transfer approval from the Financial Services Regulatory Authority.

Effective October 1, 2019, CLT agreed to remit all required employer contributions to the CAAT Plan in accordance with the terms of the plan. As the CAAT Plan is a multi-employer defined benefit pension plan, any pension plan surpluses or deficits are joint responsibility of all eligible organizations and their employees. As a result, CLT does not recognize any share of the CAAT Plan surplus or deficit, as CLT's portion of the amount is not determinable. During the year, CLT made contributions to the CAAT Plan of $1,064 (2019 - nil) which is included as an expense in the statement of operations (note 1(f)).

(Expressed in thousands of dollars)

14. Pension plan (continued):

As part of the MOA, CLT is required to pay a Transfer Price of $9,210 to fund the determined CAAT Plan deficiency. CLT has recorded this amount as an expense in the statement of operations. On March 6, 2020, CLT paid $4,500 of the Transfer Price. The remaining $4,710 is due through monthly payments over a term of 10 years, bearing interest at 7%. This amount is recorded as long-term debt on the statement of financial position (note 11).

15. Endowments:

Endowments consist of the following:

	2020	2019
Endowments, the income from which is externally restricted	$ 55	$ 55
Endowments, the income from which is unrestricted	28	27
	$ 83	$ 82

16. Internally restricted funds:

	2020	2019
Capital reserve	$ 2,628	$ 2,628
Endowments, internally restricted, the income from which is unrestricted	1,406	1,406
Membership revenue	128	138
Reserve, management contingency fund	600	600
Reserve, general	800	800
	$ 5,562	$ 5,572

(Expressed in thousands of dollars)

17. Commitments:

The following is a schedule of future annual minimum lease payments required under operating leases for premises used as workshops and residences that have initial lease terms in excess of one year, as at March 31, 2020:

2021	$ 825
2022	387
2023	337
2024	266
2025	189
Thereafter	1,215
	$ 3,219

18. Guarantee:

CLT has provided a guarantee of advances executed by GUT under the restated credit facility agreement, dated March 24, 2020 (note 7).

19. Contingency:

On May 30, 2017, a settlement was reached between CLT and the Non-Union Group of Employees regarding CLT's pay equity maintenance process. Part of the settlement included a requirement for CLT to complete the pay equity maintenance process for non-unionized employees for 2015 onwards. During the year, CLT concluded the pay equity maintenance review process for all non-union positions. On January 17, 2020, amounts owed to non-unionized employees from 2015 to 2019 as a result of the review were paid.

(Expressed in thousands of dollars)

20. Statement of cash flows:

Change in non-cash operating working capital comprise the following items:

	2020	2019
Cash held in trust	$ –	$ 1,500
Accounts receivable	(243)	1,302
Prepaid expenses	(548)	(123)
Accounts payable and accrued liabilities	(629)	190
Deferred revenue	(605)	(260)
	$ (2,025)	$ 2,609

21. Financial risks:

(a) Interest rate risk:

CLT's credit facilities have a variable interest based on the bank's prime lending rate (note 7). As a result, CLT is exposed to interest rate risk due to fluctuations in this rate. There has been no significant change to the risk exposure from 2019.

(b) Liquidity risk:

Liquidity risk is the risk that CLT will encounter difficulty in meeting obligations associated with financial liabilities. CLT manages its liquidity risk by monitoring its operating requirements. CLT prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no significant change to the risk exposure from 2019.

22. Economic dependence:

The future viability of CLT is dependent upon continued support from the MCCSS.

CLT receives a substantial amount of funding from the MCCSS, pursuant to a Service Contract entered into by both parties. The funding agreement for 2021 with the MCCSS has not yet been finalized.

23. Subsequent event:

In the month of March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and globally has had significant health, financial, and social dislocating impacts. At the time of approval of these financial statements, CLT has amended its operations in order to deliver its services during the COVID-19 pandemic. The current events and conditions are expected to be temporary, however there is uncertainty around the length of this disruption and any impacts it may have on future operations. As a result, an estimate of the financial effect of the COVID-19 pandemic is not practicable at this time.