

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Financial Statements

Year Ended March 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Stella's Circle Community Services Inc.

I have audited the accompanying financial statements of Stella's Circle Community Services Inc., which comprise the statement of financial position as at March 31, 2018 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Stella's Circle Community Services Inc. as at March 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

St. John's, NL
June 18, 2018


Brian T. Scammell Professional Corporation
Chartered Professional Accountant

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Statement of Financial Position

March 31, 2018

| | 2018 | 2017 |
|----------------------------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 548,031 | \$ 542,620 |
| Term deposits | 54,600 | 54,477 |
| Accounts receivable | 281,991 | 314,502 |
| Due from Stella Burry Foundation Inc. (Note 4) | 146,832 | - |
| Harmonized sales tax recoverable (Note 5) | 18,236 | 261 |
| Inventory | 7,966 | 6,821 |
| Prepaid expenses | 204,992 | 220,410 |
| | 1,262,648 | 1,139,091 |
| CAPITAL ASSETS (Note 6) | 11,508,880 | 11,966,791 |
| | \$ 12,771,528 | \$ 13,105,882 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT | | |
| Demand loan (Note 7) | \$ 45,475 | \$ 194,532 |
| Accounts payable | 365,602 | 403,202 |
| Wages payable | 375,522 | 338,954 |
| Due to Stella Burry Foundation Inc. (Note 4) | - | 41,724 |
| Current portion of long term debt (Note 8) | 53,937 | 51,042 |
| Deferred contributions (Note 9) | 308,430 | 212,192 |
| | 1,148,966 | 1,241,646 |
| LONG TERM DEBT (Note 8) | 1,134,393 | 1,239,621 |
| DEFERRED CAPITAL CONTRIBUTIONS (Note 10) | 8,990,246 | 9,242,562 |
| ACCRUAL FOR SEVERANCE LIABILITIES | 247,231 | 197,626 |
| | 11,520,836 | 11,921,455 |
| NET ASSETS | | |
| Unrestricted fund | 761,376 | 761,376 |
| Internally restricted maintenance replacement reserve fund (Note 11) | 489,316 | 423,051 |
| | 1,250,692 | 1,184,427 |
| | \$ 12,771,528 | \$ 13,105,882 |

ON BEHALF OF THE BOARD

_____ Director

_____ Director

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Operating

Statement of Revenue and Expenditures

Year Ended March 31, 2018

| | 2018 | | | 2017 | | Under (Over) Expenditure \$ |
|----------------------------------------------------------------------------|---------------|-------------------|--------------------------------------|---------------|-------------------|--------------------------------------|
| | Revenue \$ | Expenditure \$ | Under (Over) Expenditure \$ | Revenue \$ | Expenditure \$ | |
| PROGRAM | | | | | | |
| Emmanuel House | 1,210,995 | 1,207,279 | 3,716 | 1,152,569 | 1,148,287 | 4,282 |
| Naomi Centre | 1,043,581 | 1,059,327 | (15,746) | 1,046,453 | 1,051,030 | (4,577) |
| Community Support Program | 1,396,821 | 1,395,611 | 1,210 | 1,390,038 | 1,389,914 | 124 |
| Employment Services | 1,184,351 | 1,184,351 | - | 1,186,342 | 1,185,042 | 1,300 |
| Adult Basic Education | 83,461 | 83,462 | (1) | 83,461 | 83,462 | (1) |
| Supportive Housing Team | 708,701 | 710,665 | (1,964) | 711,877 | 709,825 | 2,052 |
| Just Us Women's Centre | 368,355 | 374,364 | (6,009) | 340,074 | 346,357 | (6,283) |
| Property Management | 829,577 | 708,066 | 121,511 | 853,236 | 754,548 | 98,688 |
| General Operations | 480,722 | 481,141 | (419) | 453,538 | 449,224 | 4,314 |
| Can Do | 405,009 | 405,012 | (3) | 365,622 | 365,515 | 107 |
| Hungry Heart Cafe | 626,135 | 621,686 | 4,449 | 653,386 | 648,722 | 4,664 |
| Technical Resource Facilitator | 134,801 | 134,801 | - | 132,316 | 132,317 | (1) |
| Wellness/Outreach Services | 68,866 | 68,866 | - | 42,459 | 42,459 | - |
| Front Step | 663,051 | 663,052 | (1) | 478,700 | 478,700 | - |
| Transitions to Work | 31,583 | 31,583 | - | - | - | - |
| Rapid Rehousing | 122,121 | 122,122 | (1) | - | - | - |
| Home to Stay Project | 47,387 | 47,388 | (1) | - | - | - |
| Stella's Circle Foundation | 23,463 | 23,464 | - | - | - | - |
| Excess of revenue over expenditures | 9,428,980 | 9,322,240 | 106,741 | 8,890,071 | 8,788,276 | 104,669 |
| Amortization of deferred capital contributions not credited to programs | | | 467,701 | | | 462,223 |
| Amortization of capital assets not charged to programs | | | 508,177 | | | 511,856 |
| Excess of revenue over expenditures | | | 66,265 | | | 55,036 |

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Statement of Changes in Net Assets

Year Ended March 31, 2018

| | Unrestricted Fund | Internally Restricted Maintenance Replacement Reserve Fund | 2018 | 2017 |
|-----------------------------------------------------|----------------------|---------------------------------------------------------------------------|--------------|--------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 761,376 | \$ 423,051 | \$ 1,184,427 | \$ 1,129,391 |
| EXCESS OF REVENUE OVER EXPENDITURES | 66,265 | - | 66,265 | 55,036 |
| TRANSFER TO MAINTENANCE REPLACEMENT RESERVE FUND | (66,265) | 66,265 | - | - |
| NET ASSETS - END OF YEAR | \$ 761,376 | \$ 489,316 | \$ 1,250,692 | \$ 1,184,427 |

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Statement of Cash Flow

Year Ended March 31, 2018

| | 2018 | 2017 |
|------------------------------------------------|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenditures | \$ 66,265 | \$ 55,036 |
| Items not affecting cash: | | |
| Amortization of capital assets | 531,877 | 535,557 |
| Amortization of deferred capital contributions | (467,700) | (462,223) |
| Amortization of deferred contributions | (1,079,891) | (224,811) |
| | (949,449) | (96,441) |
| Changes in non-cash working capital: | | |
| Accounts receivable | 32,511 | (18,116) |
| Inventory | (1,145) | (861) |
| Accounts payable | (37,600) | 66,428 |
| Prepaid expenses | 15,418 | (33,545) |
| Harmonized sales tax payable | (17,975) | 18,808 |
| Wages payable | 36,568 | 49,600 |
| | 27,777 | 82,314 |
| Cash flow used by operating activities | (921,672) | (14,127) |
| INVESTING ACTIVITY | | |
| Purchase of capital assets | (73,966) | (278,007) |
| FINANCING ACTIVITIES | | |
| Demand loan | (149,057) | (79,097) |
| Advances from related parties | (188,556) | 55,558 |
| Increase in severance payable | 49,605 | 45,558 |
| Increase in deferred capital contributions | 215,384 | 402,703 |
| Increase in deferred contributions | 1,176,129 | 258,736 |
| Repayment of long term debt | (102,333) | (55,103) |
| Cash flow from financing activities | 1,001,172 | 628,355 |
| INCREASE IN CASH FLOW | 5,534 | 336,221 |
| Cash - beginning of year | 597,097 | 260,876 |
| CASH - END OF YEAR | \$ 602,631 | \$ 597,097 |
| CASH CONSISTS OF: | | |
| Cash | \$ 548,031 | \$ 542,620 |
| Term deposits | 54,600 | 54,477 |
| | \$ 602,631 | \$ 597,097 |

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

1. NATURE OF OPERATIONS

Stella Burry Community Services (the "Organization" or "SBCS") delivers supportive housing and counselling services through facilities such as Emmanuel House, Naomi Centre, the Carew Lodge and other long-term housing initiatives. Emmanuel House and Naomi Centre are residential centres that provide therapeutic counselling services and shelter to individuals who are experiencing psycho-social problems. Carew Lodge and the other long-term housing initiatives operate on a not-for-profit basis and ensure that low-income singles and families can access decent affordable housing with supports. The Organization also delivers employment and training programs, such as New Beginnings, which assist individuals who have significant barriers becoming engaged in work and training.

The Organization is incorporated under the Corporations Act of Newfoundland and is a registered charity within the meaning of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Cash and cash equivalents

The Organization's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

| | | |
|-------------------------|-----|--------------------------|
| Buildings | 4% | declining balance method |
| Professional kitchen | 10% | declining balance method |
| Leasehold improvements | 20% | declining balance method |
| Furniture and equipment | 20% | declining balance method |
| Vehicle | 30% | declining balance method |
| Computer hardware | 30% | declining balance method |

The Organization regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as deferred capital contributions and amortized over the same period as the related assets.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long lived assets

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Revenue recognition

Stella's Circle Community Services Inc. follows the deferral method of accounting for contributions.

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. Endowment contributions would be recognized as direct increases in net assets.

Revenue from the sale of goods and services is recognized at the time of sale or when the service has been provided if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services and assets

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. Unless the fair value of donated materials and services can be reasonably determined, the transactions are not reflected in these financial statements.

Measurement uncertainty

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 amount 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 period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2018.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from customers related to its commercial operations and from the recording of revenue from funding sources and investments which is not collected. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other funding sources, long-term debt and accounts payable.

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STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

3. FINANCIAL INSTRUMENTS (continued)

The Organization's liquidity policies and practices include the measurement, forecast and ongoing monitoring of cash flows and diversification of its funding sources.

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 rate risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

4. RELATED PARTIES

| | 2018 | 2017 |
|---------------------------------------------------------------------------------|-------------------|--------------------|
| <u>Related party transactions</u> | | |
| Stella Burry Foundation Inc. ("SBF") | | |
| <i>(Entity which receives donations and other fundraising revenue for SCCS)</i> | | |
| Payments received from SBF (net) | \$ (161,221) | \$ (558,368) |
| Funding received by SBF designated for SBCS | 232,556 | 278,941 |
| Expenses of SBF paid by SBCS | 27,923 | 22,882 |
| Deferred capital contributions to be paid by SBF | 209,047 | 200,987 |
| | 308,305 | (55,558) |
| | \$ 308,305 | \$ (55,558) |

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due from (to) related parties

| | 2018 | 2017 |
|---------------------------------------------|-------------|-------------|
| Current portion due from (to) related party | | |
| Due from (to) Stella Burry Foundation Inc. | \$ 147,050 | \$(41,724) |
| This balance is non-interest bearing. | | |

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

5. GOVERNMENT REMITTANCES PAYABLE OTHER THAN INCOME TAX

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. The following government remittances were payable (receivable) at year end:

| | 2018 |
|---------------------------------|----------|
| Workplace NL payable | (78,767) |
| Harmonized sales tax receivable | 18,235 |

6. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|-------------------------|---------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 1,045,045 | \$ - | \$ 1,045,045 | \$ 1,045,045 |
| Buildings | 13,848,477 | 4,358,440 | 9,490,037 | 9,865,722 |
| Professional kitchen | 120,581 | 93,398 | 27,183 | 32,263 |
| Vehicle | 266,983 | 221,504 | 45,479 | 68,387 |
| Computer hardware | 240,979 | 217,917 | 23,062 | 32,946 |
| Computer software | 4,573 | 4,573 | - | - |
| Furniture and equipment | 592,619 | 433,549 | 159,070 | 149,035 |
| Leasehold improvements | 1,329,979 | 610,975 | 719,004 | 773,393 |
| | \$ 17,449,236 | \$ 5,940,356 | \$ 11,508,880 | \$ 11,966,791 |

7. DEMAND LOAN

The Organization has a line of credit with a credit union in the amount of \$500,000, of which \$454,525 was available at March 31, 2018. This facility bears interest at the credit union's prime lending rate plus 0.5% and is secured by property situated at 84 Prescott Street, St. John's, NL.

The Organization also has a line of credit with a chartered bank in the amount of \$1,000,000, all of which was available at March 31, 2018. This facility bears interest at the Bank of Nova Scotia's prime lending rate plus 0.5% and is secured by property situated at 142 Military Road, St. John's, NL.

8. LONG TERM DEBT

| | 2018 | 2017 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Bank of Nova Scotia loan bearing interest at 2.34% per annum, repayable in monthly blended payments of \$326. The loan matures on May 1, 2019 and is secured by property on 45 Whiteway Street, St. John's, NL. | \$ 130,883 | \$ 136,449 |

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STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

8. LONG TERM DEBT (continued)

| | 2018 | 2017 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Bank of Nova Scotia loan bearing interest at 2.34% per annum, repayable in monthly blended payments of \$333. The loan matures on May 1, 2019 and is secured by property on 47 Whiteway Street, St. John's, NL. | 133,799 | 139,233 |
| Bank of Nova Scotia loan bearing interest at 2.17% per annum, repayable in monthly blended payments of \$526. The loan matures on November 22, 2018 and is secured by property on 26 Freshwater Road, St. John's, NL. | 65,499 | 69,862 |
| Bank of Nova Scotia loan bearing interest at 2.34% per annum, repayable in monthly blended payments of \$399. The loan matures on May 1, 2019 and is secured by property on 257 Elizabeth Avenue, St. John's, NL. | 160,560 | 167,080 |
| CIBC loan bearing interest at 3% per annum, repaid during the year | - | 51,291 |
| Bank of Nova Scotia loan bearing interest at 3.33% per annum, repayable in monthly blended payments of \$685. The loan matures on June 1, 2020 and is secured by property on 37 Whiteway Street, St. John's, NL. | 76,760 | 80,707 |
| Bank of Nova Scotia loan bearing interest at 2.34% per annum, repayable in monthly blended payments of \$333. The loan matures on May 1, 2019 and is secured by property on 67 Guy Street, St. John's, NL. | 133,799 | 139,233 |
| Bank of Nova Scotia loan bearing interest at 2.34% per annum, repayable in monthly blended payments of \$419. The loan matures on May 1, 2019 and is secured by property on 16 Freshwater Road, St. John's, NL. | 168,587 | 175,433 |
| Bank of Nova Scotia loan bearing interest at 2.34% per annum, repayable in monthly blended payments of \$466. The loan matures on May 1, 2019 and is secured by property on 313 Southside Road, St. John's, NL. | 187,319 | 194,926 |
| Bank of Nova Scotia loan bearing interest at 2.34% per annum, repayable in monthly blended payments of \$326. The loan matures on May 1, 2019 and is secured by property on 69 Guy Street, St. John's, NL. | 131,124 | 136,449 |
| | 1,188,330 | 1,290,663 |
| Amounts payable within one year | (53,937) | (51,042) |
| | \$ 1,134,393 | \$ 1,239,621 |

Principal repayment terms are approximately:

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STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2018

8. LONG TERM DEBT (continued)

| | | |
|------------|----|------------------|
| 2019 | \$ | 53,937 |
| 2020 | | 55,810 |
| 2021 | | 57,800 |
| 2022 | | 59,919 |
| 2023 | | 58,267 |
| Thereafter | | 902,597 |
| | \$ | <u>1,188,330</u> |

9. DEFERRED CONTRIBUTIONS

Deferred contributions relate to funding received in the current period that is for future expenditures. Changes in this balance are as follows:

| | 2018 | 2017 |
|----------------------------------------------------|-------------|------------|
| Balance, beginning of the year | \$ 212,192 | \$ 145,267 |
| Less: amount recognized as revenue in the year | (1,079,891) | (224,811) |
| Add: amount received related to the following year | 1,176,129 | 291,736 |
| | \$ 308,430 | \$ 212,192 |

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized balance of contributions related to the purchase of capital assets. Changes in the deferred contributions balance for the year are as follows:

| | 2018 | 2017 |
|--------------------------------|--------------|--------------|
| Balance, beginning of the year | \$ 9,242,562 | \$ 9,335,082 |
| Additions | 215,384 | 369,703 |
| Amounts amortized to revenue | (467,700) | (462,223) |
| Balance, end of the year | \$ 8,990,246 | \$ 9,242,562 |

11. MAINTENANCE REPLACEMENT RESERVE FUND

The Organization has set aside funds in a maintenance replacement reserve for extraordinary repairs of the properties that it owns and operates. Disbursements from this reserve are subject to approval by the Board of Directors. During the year ended March 31, 2018, \$66,265 (2017 - \$50,000) was appropriated for this purpose from unrestricted funds.

12. COMPARATIVE FIGURES

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