

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Financial Statements

Year Ended March 31, 2019

INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the financial statements of Stella's Circle Community Services Inc. (the Organization), which comprise the statement of financial position as at March 31, 2019, and the statements of revenues and expenditures, 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 my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:


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Independent Auditor's Report to the Members of Stella's Circle Community Services Inc. *(continued)*

- 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 my 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 Organization'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 Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Organization 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.

I 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 I identify during my audit.

St. John's, NL
June 17, 2019


Brian T. Scammell Professional Corporation
Chartered Professional Accountant

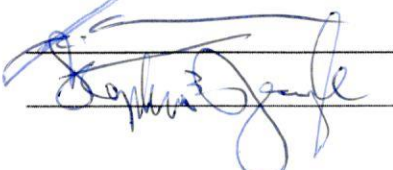
STELLA'S CIRCLE COMMUNITY SERVICES INC.

Statement of Financial Position

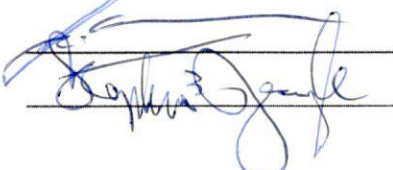
March 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 875,709	\$ 548,031
Term deposits	-	54,600
Accounts receivable	347,057	281,991
Due from related parties (Note 4)	-	146,832
Harmonized sales tax recoverable	232	18,236
Inventory	7,255	7,966
Prepaid expenses	207,316	204,992
	1,437,569	1,262,648
LONG TERM INVESTMENTS (Note 5)	106,392	-
CAPITAL ASSETS (Note 7)	11,985,507	11,508,880
	\$ 13,529,468	\$ 12,771,528
LIABILITIES AND NET ASSETS		
CURRENT		
Demand loan (Note 8)	\$ -	\$ 45,475
Accounts payable	326,246	365,602
Wages payable	362,386	375,522
Due to related parties (Note 4)	36,667	-
Deferred contributions (Note 9)	453,751	308,430
Current portion of long term debt (Note 10)	53,332	53,937
	1,232,382	1,148,966
LONG TERM DEBT (Note 10)	1,069,488	1,134,393
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	9,600,695	8,990,246
ACCRUAL FOR SEVERANCE LIABILITIES	294,884	247,231
	12,197,449	11,520,836
NET ASSETS		
Unrestricted fund	761,376	761,376
Internally restricted maintenance replacement reser fund	570,643	489,316
	1,332,019	1,250,692
	\$ 13,529,468	\$ 12,771,528

ON BEHALF OF THE BOARD



 _____ Director



 _____ Director

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Operating

Statement of Revenue and Expenditures

Year Ended March 31, 2019

	2019			2018		
	Revenue \$	Expenditure \$	Under (Over) Expenditure \$	Revenue \$	Expenditure \$	Under (Over) Expenditure \$
PROGRAM						
Emmanuel House	1,151,151	1,149,796	1,355	1,210,995	1,207,279	3,716
Naomi Centre	1,053,404	1,073,961	(20,557)	1,043,581	1,059,327	(15,746)
Community Support Program	1,363,686	1,367,469	(3,783)	1,396,821	1,395,611	1,210
Employment Services	1,181,336	1,181,336	-	1,184,351	1,184,351	-
Adult Basic Education	84,855	84,855	-	83,461	83,642	(1)
Property Management	834,417	694,100	140,317	829,577	708,066	121,511
Supportive Housing Team	709,492	709,492	-	708,701	710,665	(1,964)
Just Us Women's Centre	398,507	398,507	-	368,355	374,364	(6,009)
Hungry Heart Cafe	514,359	506,270	8,089	626,135	621,686	4,449
Transitions to Work	62,825	62,825	-	31,583	31,583	-
General Operations	448,835	447,540	1,295	480,722	481,141	(419)
Technical Resource Facilitator	130,165	132,097	(1,932)	134,801	134,801	-
Wellness/Outreach Services	53,710	53,710	-	68,866	68,866	-
Rapid Rehousing	313,832	313,832	-	122,121	122,122	(1)
Home to Stay Project	327,308	327,308	-	47,387	47,388	(1)
Front Step	644,927	644,927	-	663,051	663,052	(1)
Can Do	360,974	360,974	-	405,009	405,012	(3)
Stella's Circle Foundation	28,579	28,579	-	23,463	23,464	-
Graduate Assistance	35,306	35,306	-	-	-	-
Excess of revenue over expenditures	9,697,668	9,572,884	124,784	9,428,980	9,322,240	106,741
Amortization of deferred capital contributions not credited to programs			435,890			467,701
Amortization of capital assets not charged to programs			479,347			508,177
Excess of revenue over expenditures			81,237			66,265

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Statement of Changes in Net Assets

Year Ended March 31, 2019

	Unrestricted Fund	Internally Restricted Maintenance Replacement Reserve Fund	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 761,376	\$ 489,316	\$ 1,250,692	\$ 1,184,427
EXCESS OF REVENUES OVER EXPENSES	81,327	-	81,327	66,265
TRANSFER TO MAINTENANCE REPLACEMENT RESERVE FUND	(81,327)	81,327	-	-
NET ASSETS - END OF YEAR	\$ 761,376	\$ 570,643	\$ 1,332,019	\$ 1,250,692

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Statement of Cash Flows

Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 81,327	\$ 66,265
Items not affecting cash:		
Amortization of capital assets	489,712	531,877
Amortization of deferred capital contributions	(435,890)	(467,700)
Amortization of deferred contributions	(2,921,340)	(1,079,891)
	(2,786,191)	(949,449)
Changes in non-cash working capital:		
Accounts receivable	(47,060)	32,511
Inventory	711	(1,145)
Accounts payable	(39,356)	(37,600)
Prepaid expenses	(2,324)	15,418
Harmonized sales tax payable	(221)	(17,975)
Wages payable	(13,136)	36,568
	(101,386)	27,777
Cash flow used by operating activities	(2,887,577)	(921,672)
INVESTING ACTIVITIES		
Purchase of capital assets	(153,836)	(73,966)
Long term Investments	(106,392)	-
Cash flow used by investing activities	(260,228)	(73,966)
FINANCING ACTIVITIES		
Demand loan	(45,475)	(149,057)
Advances from (to) related parties	183,717	(188,556)
Increase in severance pay	47,653	49,605
Increase in deferred capital contributions	233,839	215,384
Increase in deferred contributions	3,066,661	1,176,129
Repayment of long term debt	(65,512)	(102,333)
Cash flow from financing activities	3,420,883	1,001,172
INCREASE IN CASH FLOW	273,078	5,534
Cash - beginning of year	602,631	597,097
CASH - END OF YEAR	\$ 875,709	\$ 602,631
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	\$ 873	\$ 4,839
CASH CONSISTS OF:		
Cash	\$ 875,709	\$ 548,031
Term deposits	-	54,600
	\$ 875,709	\$ 602,631

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2019

1. NATURE OF OPERATIONS

Stella's Circle Community Services Inc (the "Organization" or "SCCS") is a charitable community organization that has a mission to transform lives by offering Real Homes, Real Help, and Real Work. We provide various housing, counselling and employment programs to people who face many barriers to fully participating in their community. These barriers can include mental health issues, addictions, homelessness, poverty, criminal justice involvement, trauma, low literacy, and long periods of unemployment. At Stella's Circle we work with 1000 inspiring participants each year. Our values are respect, wisdom, connectedness, innovation, and courage. Real Homes: Stella's Circle provides emergency shelter, a housing resource centre and 79 units of supportive and affordable housing to help people find a home to call their own. Real Help: Residential, community and correctional-based counselling services to support people through life's challenges. Real Work: Education, training, and employment opportunities to help people with minimal or broken employment histories enter the work force.

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.

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STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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
Leasehold improvements	4%	declining balance method
Professional kitchen	10%	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.

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.

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2019

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, 2019.

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.

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

	2019	2018
<u>Related party transactions</u>		
Stella's Circle Foundation Inc. ("SCF")		
<i>(Entity which receives donations and other fundraising revenue for SCCS)</i>		
Payments received from SCF	\$ (158,385)	\$ (161,221)
Funding received by SCF designated for SCCS	98,175	232,556
Expenses of SCF paid by SCCS	32,027	27,923
Deferred capital contributions to be paid by SCF	195,513	209,047
	\$ 167,330	\$ 308,305

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.

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STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2019

4. RELATED PARTIES (continued)

Due from related parties

	2019	2018
Due from Stella's Circle Foundation Inc.	\$ -	\$ 146,832
Current portion due to related party Due from Stella's Circle Foundation Inc. This balance is non-interest bearing.	\$ 36,667	\$ -

5. LONG TERM INVESTMENTS

	2019	2018
Term deposit, interest rate of 2.88% maturing March 19, 2020	\$ 106,392	\$ -

6. 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:

	2019
Harmonized sales tax receivable	-
	<u>15,223</u>

7. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 1,145,045	\$ -	\$ 1,145,045	\$ 1,045,045
Buildings	15,163,407	4,899,397	10,264,010	9,490,037
Professional kitchen	120,581	97,599	22,982	27,183
Vehicle	334,517	255,408	79,109	45,479
Computer hardware	240,979	224,836	16,143	23,062
Computer software	4,573	4,573	-	-
Furniture and equipment	599,249	466,688	132,561	159,070
Leasehold improvements	807,223	481,566	325,657	719,004
	<u>\$ 18,415,574</u>	<u>\$ 6,430,067</u>	<u>\$ 11,985,507</u>	<u>\$ 11,508,880</u>

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2019

8. DEMAND LOAN

The Organization has a line of credit with a credit union in the amount of \$500,000, of which \$500,000 was available at March 31, 2019. 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, 2019. 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.

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:

	2019	2018
Balance, beginning of the year	\$ 308,430	\$ 212,192
Less: amount recognized as revenue in the year	(2,921,340)	(1,079,891)
Add: amount received related to the following year	3,066,661	1,176,129
	\$ 453,751	\$ 308,430

10. LONG TERM DEBT

	2019	2018
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.	\$ 125,381	\$ 130,883
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.	128,198	133,799
Bank of Nova Scotia loan bearing interest at 3.68% per annum, repayable in monthly blended payments of \$568. The loan matures on November 22, 2021 and is secured by property on 26 Freshwater Road, St. John's, NL.	60,764	65,499
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.	153,838	160,560
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.	59,798	76,760
		<i>(continues)</i>

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2019

10. LONG TERM DEBT (continued)

	2019	2018
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.	128,198	133,799
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.	161,530	168,587
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.	179,478	187,319
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.	125,635	131,124
	1,122,820	1,188,330
Amounts payable within one year	(53,332)	(53,937)
	\$ 1,069,488	\$ 1,134,393

Principal repayment terms are approximately:

2020	\$ 53,332
2021	55,080
2022	56,886
2023	58,751
2024	60,677
Thereafter	838,094
	<u>\$ 1,122,820</u>

11. 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:

	2019	2018
Balance, beginning of the year	\$ 8,990,246	\$ 9,242,562
Additions	1,046,339	215,384
Amounts amortized to revenue	(435,890)	(467,700)
Balance, end of the year	\$ 9,600,695	\$ 8,990,246

STELLA'S CIRCLE COMMUNITY SERVICES INC.

Notes to Financial Statements

Year Ended March 31, 2019

12. 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, 2019, \$81,327 (2018 - \$66,265) was appropriated for this purpose from unrestricted funds.

13. COMPARATIVE FIGURES

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