Financial Statements of

TRELLIS SOCIETY FOR COMMUNITY IMPACT

And Independent Auditors' Report thereon

Year ended March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Trellis Society for Community Impact

Opinion

We have audited the financial statements of Trellis Society for Community Impact (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of revenues and expenses 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, 2022, 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.

Responsibilities of Management and Those Charged with Governance 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, 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's 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

Calgary, Canada

July 11, 2022

TRELLIS SOCIETY FOR COMMUNITY IMPACT

Statement of Financial Position

March 31, 2022, with combined comparative information for 2021

		2022		2021
Assets				
Current assets:				
Cash and cash equivalents	$	3,789,842	$	1,834,938
Restricted cash (note 2)		283,254		293,118
Investments (note 3)		3,163,045		3,166,527
Accounts receivable (note 13)		122,459		1,027,793
Government remittances recoverable		76,545		53,985
Inventory		22,460		30,475
Prepaid expenses and deposits		294,613		202,085
Current portion of lease receivable (note 5)		66,625		–
		7,818,843		6,608,921
Tangible capital assets (note 4)		2,558,382		3,692,873
Lease receivable (note 5)		704,229		–
	$	11,081,454	$	10,301,794
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	$	1,784,059	$	2,898,167
Deferred contributions – program advances (note 7)		2,818,792		1,532,622
Current portion of capital lease obligation (note 10)		81,755		81,755
Current portion of loans (note 9)		23,009		24,312
		4,707,615		4,536,856
Capital lease obligations (note 10)		55,525		137,280
Loans (note 9)		656,472		679,922
Long-term accrued liabilities		92,277		152,735
Deferred donations related to tangible capital assets (note 8)		2,144,150		1,929,740
		7,656,039		7,436,533
Net assets:				
Unrestricted		2,865,415		2,865,261
Internally restricted (note 11)		560,000		–
		3,425,415		2,865,261
Guarantee (note 9)				
Commitments (note 19)				
Subsequent events (note 20)				
	$	11,081,454	$	10,301,794

See accompanying notes to the financial statements.

On behalf of the Board:

______________________ Director

______________________ Director

TRELLIS SOCIETY FOR COMMUNITY IMPACT

Statement of Revenues and Expenses

Year ended March 31, 2022, with combined comparative information for 2021

	2022	2021
Revenues:		
Core Funding:		
Federal government	$ 412,700	$ 398,238
Provincial government	12,573,457	12,301,612
Municipal government	2,527,876	2,797,738
United Way	2,797,628	3,156,564
Calgary Homeless Foundation	5,091,312	4,501,291
Self-Generated Funding		
Donations (notes 12, 17)	4,301,459	2,959,963
Program	915,209	1,255,137
Administrative (note 13)	2,803,789	4,986,173
Pandemic relief	73,000	1,271,746
Trellis Foundation support (note 17)	739,329	457,360
Investment income (expense)	–	(364,417)
	32,235,759	33,721,405
Expenses:		
Clubs	2,527,706	2,888,323
Community based care	13,117,592	12,346,973
Education and employment	2,973,171	3,173,405
Housing	9,678,630	7,897,416
Administrative support	3,378,506	6,813,966
	31,675,605	33,120,083
Excess of revenues over expenses	$ 560,154	$ 601,322

See accompanying notes to financial statements.

TRELLIS SOCIETY FOR COMMUNITY IMPACT

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Internally Restricted	Unrestricted	2022 Total	2022 Total
Net assets, beginning of year	$ –	$ 2,865,261	$ 2,865,261	$ 2,263,939
Excess of revenue over expenses	–	560,154	560,154	601,322
Transfer from unrestricted to internally restricted	560,000	(560,000)	–	–
Endowment contribution received	–	–	–	78,644
Endowment contribution disbursed	–	–	–	(78,644)
Net assets, end of year	$ 560,000	$ 2,865,415	$ 3,425,415	$ 2,865,261

See accompanying notes to financial statements.

TRELLIS SOCIETY FOR COMMUNITY IMPACT

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash and cash equivalents provided by (used in) the following activities:		
Operating:		
Excess of revenues over expenses	$ 560,154	$ 601,322
Items not affecting cash:		
Amortization of deferred donations related to tangible capital assets	(164,954)	(230,835)
Write-down of deferred donations related to tangible capital assets	(50,000)	(614,368)
Change in unrealized loss (gain) on investments	–	(68)
Amortization of tangible capital assets	404,634	538,903
(Gain) loss on investment	(36,203)	229,606
Loss on asset disposal	–	326,850
Impairment loss	39,047	628,614
	752,678	1,480,024
Changes in non-cash working capital:		
Accounts receivable	905,334	(669,266)
Government remittances recoverable	(22,560)	(17,310)
Inventory	8,015	(27,572)
Prepaid expenses and deposits	(92,528)	110,267
Accounts payable and accrued liabilities	(1,114,108)	1,343,901
Deferred contributions – program advances	1,286,170	883,645
	1,723,001	3,103,689
Financing:		
Repayment of loans	(85,211)	(46,011)
Repayment of capital lease obligations	(81,755)	(81,755)
Donations received related to tangible capital assets	429,364	191,133
	262,398	63,367
Investing:		
Proceeds from sale of investments	66,598	1,114,247
Purchases of investments	–	(3,166,442)
Purchase of tangible capital assets	(297,056)	(26,912)
Proceed from lease receivable (Principal)	190,099	–
	(40,359)	(2,079,107)
Net increase in cash and cash equivalents	1,945,040	1,087,949
Cash and cash equivalents, beginning of year	2,128,056	1,040,107
Cash and cash equivalents, end of year	$ 4,073,096	$ 2,128,056
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	$ 3,789,842	$ 1,834,938
Restricted cash	283,254	293,118
	$ 4,073,096	$ 2,128,056

See accompanying notes to financial statements.

Trellis Society for Community Impact (the "Entity") is a not-for-profit organization registered under the Societies Act of Alberta. The Entity works with children, youth and families to unearth their potential and support their growth. The Entity achieves its mission through programs that focus on improving access to resources, developing family and community supports and building people's capacity to deal with life's challenges. The vision of the Entity is a world where everyone reached their full potential; unlocking growth across generations.

The Entity is registered under the Income Tax Act as a registered charity and therefore is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

(a) Cash and cash equivalents, and restricted cash:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months. Cash subject to restrictions is included in restricted cash.

(b) Investments:

Investments are composed of Guaranteed Investment Certificates ("GICs"), common stocks in publicly traded companies, government and corporate bonds and mutual funds with maturities greater than three months at the time of purchase and are recorded at fair value.

(c) Inventory:

Inventory includes gift certificates and communications and promotional items and is measured at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis, and net realizable value is determined using the current estimated selling price less the selling cost. The estimated selling price takes into account management's best estimate of the most probable set of economic conditions.

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution.

The Entity provides for amortization on a straight-line basis at the following rates, based on the estimated useful lives and residual values of the assets:

Buildings and related improvements	10–30 years
Vehicles	5–10 years
Office equipment and furniture	4–10 years
Assets under capital lease	4 years
Computer and software	3–4 years
Clubs equipment	10 years
Camp equipment	10 years
Appliances	10 years

Leasehold building improvements are amortized using the straight-line method over the terms of the leases, which vary from five to ten years and are representative of the estimated useful lives of the assets.

Tangible capital assets are tested for impairment whenever events or changes in circumstances indicate that an asset can no longer be used as originally expected and its carrying amount may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally estimated.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of revenues over expenses.

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

With respect to financial assets measured at cost or amortized cost, the Entity recognizes in the statement of revenues over expenses an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. If an asset that was previously written down becomes less impaired and the recovery in value relates to an event occurring subsequent to the impairment write-down, the asset can be written back up, but only to the extent of the original impairment adjustment. This reversal of the previously recorded impairment loss is recorded in the statement of revenues and expenses in the period the reversal occurs.

(f) Government subsidy:

The Entity periodically applies for financial assistance under available government incentive and subsidy programs. Government subsidies are recognized as revenue in the period that the Entity becomes eligible to receive the subsidy and when related expenses are incurred.

(g) Revenue recognition:

The Entity follows the deferral method of accounting for contributions which include donations and government grants. 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 are recognized as direct increases in net assets.

Restricted capital contributions related to tangible capital assets that will be amortized are deferred and amortized on a straight-line basis over the estimated useful life of the corresponding asset. Restricted capital contributions for the purchase of tangible capital assets that are not amortized are recognized as direct increases in net assets.

Externally restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Contributions of shares of publicly traded companies are recorded at the closing market price of the shares on the day they are effectively received by the Entity. The delivered value of the shares is included in donations and other income.

1. Significant accounting policies (continued):

(h) Donated services and materials:

A substantial number of volunteers contribute a significant amount of time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Gifts in kind are recognized as revenue when the value can be reasonably determined and the Entity would have to otherwise purchase these items for use in the normal course of operations.

(i) Use of estimates:

The preparation of financial statements in conformity with ASNPO 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 revenues and expenses during the reporting period.

Estimates primarily arise in the determination of the allowance for doubtful accounts, calculation of estimated useful lives and potential impairment of tangible capital assets, determination of accrued liabilities and potential contingencies. Actual results could be different from their estimates. These estimates and assumptions are reviewed periodically and are prospectively adjusted in the periods in which they become known.

The uncertainties around the outbreak of COVID-19 pandemic required the use of judgments and estimates which resulted in no material impacts for the year ended March 31, 2022. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a risk of material adjustment to the reported amounts of assets, liabilities, revenue and expenses in the financial statements.

As at the reporting date, government restrictions related to the COVID-19 pandemic have been lifted. The Entity is unclear if the pandemic disruption will negatively impact its future operating results. The related financial impact and duration cannot be reasonably estimated at this time. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported on the statement of operations in the periods in which they become known. Consequently, actual results could differ from those estimates.

(j) Expenses:

Expenses are charged to mission priorities, which include clubs, community-based care, education and employment, housing, indigenous initiatives, and administrative support according to the activity that they benefit. Certain expenses benefit more than one category and, accordingly, are attributed to the relevant categories on the basis of actual expenses and employee hours. The basis of allocation for all expenses may be revised according to specific program budgets.

1. Significant accounting policies (continued):

(j) Expenses (continued):

- Clubs expenses consist of staff compensation and benefits, facility maintenance and rental of club spaces, and admin costs related to running the clubs.
- Community based care expenses consist of staff compensation and benefits, food distribution, individualized support and foster care maintenance payments.
- Education and employment expenses include costs directly related to further our clients' education and to supply training and teach those skills necessary to gain employment.
- Housing expenses include rent/shelter for teens, food distribution and individualized support costs.
- Administrative support expenses are incurred to operate the organization and its programs in a cost-effective manner while maximizing all opportunities to further the Entity's mission. These include expenses related to human resources, information technology, facilities and finance department in addition to corporate governance activities, such as strategic planning, reporting, and financial planning. A portion of these costs are allocated to the programs as per each of the funder agreement allowances.

2. Restricted cash:

Restricted cash consists of the balances in separate bank accounts as required by the Alberta Gaming, Liquor and Cannabis Commission related to casino and raffle proceeds. The use of these funds is restricted to specified uses as defined in the casino and raffle license agreements, and must be spent within a specified time frame.

3. Investments:

	2022	2021
GICs	$ 3,153,943	$ 3,141,378
Member Share Dividend	9,102	–
Canadian equities	–	25,149
	$ 3,163,045	$ 3,166,527

The effective interest rate on the GICs is 0.80% (2021 – 0.40%) per annum. The GICs have maturity dates from January 8, 2023 to March 3, 2023. GICs earned interest income of $12,566 in 2022 (2021 – $14,498). All Canadian equities were sold on August 12, 2021 and September 22, 2021, with a realized gain of $1,340.

4. Tangible capital assets:

2022	Cost	Accumulated amortization	Net book value
Buildings and related improvements:			
Pineridge Club	$ 851,322	$ 451,415	$ 399,907
Penbrooke Club	784,448	474,438	310,010
Other	2,320,110	1,368,101	952,009
Vehicles	670,691	591,985	78,706
Office equipment and furniture	303,759	226,019	77,740
Assets under capital lease	442,751	132,433	310,318
Computer and software	1,111,016	955,039	155,977
Clubs equipment	126,247	126,247	–
Appliances	30,264	24,822	5,442
Leasehold building improvements	754,068	485,795	268,273
	$ 7,394,676	$ 4,836,294	$ 2,558,382

2021	Cost	Accumulated amortization	Net book value
Buildings and related improvements:			
Pineridge Club	$ 851,322	$ 423,019	$ 428,303
Penbrooke Club	784,448	448,240	336,208
Rankin Hall	1,294,044	629,755	664,289
Camp	776,518	459,662	316,856
Other	2,320,110	1,270,072	1,050,038
Vehicles	621,809	573,063	48,746
Office equipment and furniture	303,759	194,502	109,257
Assets under capital lease	442,751	88,290	354,461
Computer and software	936,602	857,198	79,404
Clubs equipment	126,247	126,247	–
Camp equipment	446,424	427,569	18,855
Appliances	30,265	23,103	7,162
Leasehold building improvements	707,219	427,925	279,294
	$ 9,641,518	$ 5,948,645	$ 3,692,873

Total amortization expense recognized for the year was $404,634 (2021 – $538,903).

5. Lease receivable:

During the year, the Entity leased out its building and equipment assets related to Camp Adventure to Connect Charter School Society. Total proceeds were $1,000,000 with $150,000 paid on August 1, 2021 and $850,000 set up as a 10-year lease receivable with 3% annual interest rate in years 1-3, and 10% in years 4-10. The assets are expected to be sold to the lessee at the end of the lease. This transaction resulted in an impairment loss in the amount of $39,047 for 2022 (2021 – $628,614).

During 2022, the Entity recognised interest income on lease receivables of $32,314 (2021 – $nil). The following table shows the undiscounted lease payments to be received:

2023	$ 66,625
2024	71,441
2025	72,682
2026	77,821
2027	85,970
Thereafter	396,315
	770,854
Less: current portion	66,625
	$ 704,229

6. Accounts payable and accrued liabilities:

Government remittances included in accounts payable and accrued liabilities at year end were $98,700 (2021 – $93,855) for payroll.

7. Deferred contributions – program advances:

Deferred contributions - program advances represent resources for operations received in one period that will be utilized in a subsequent period, as well as externally restricted contributions that were not spent as at March 31, 2022. Changes in this deferred contribution balance are as follows:

	2022	2021
Balance, beginning of year	$ 1,532,622	$ 648,977
Received during the year	16,890,810	16,971,018
Recognized as revenue during the year	(15,604,640)	(16,087,373)
Balance, end of year	$ 2,818,792	$ 1,532,622

8. Deferred donations related to tangible capital assets:

	2022	2021
Deferred donations related to tangible capital assets:		
Balance, beginning of year	$ 1,929,740	$ 2,583,810
Capital donations received	429,364	191,133
Less: amortization for the year	(164,954)	(230,835)
Disposals and write-downs	(50,000)	(614,368)
Balance, end of year	$ 2,144,150	$ 1,929,740

9. Loans:

		2022		2021
Mortgage payable on Pineridge for Bear Lodge Group Home Centre, bearing interest at 4.00% per annum with a renewal date of November 1, 2024 and monthly blended payments of principal and interest in the amount of $1,711 and secured against the underlying asset.	$	267,677	$	270,588
Mortgage payable on Rundle for Rundle Group Home Centre, bearing interest at 4.00% per annum with a renewal date of November 1, 2024 and monthly blended payments of principal and interest in the amount of $1,167 and secured against the underlying asset.		260,705		270,898
Mortgage payable on the North East Condo Centre, bearing interest at 4.00% per annum with a renewal date of November 1, 2024 and monthly blended payments of principal and interest in the amount of $1,271 and secured against the underlying asset.		151,099		160,112
Lease of two printers for 3 years expiring on March 31, 2021 requiring quarterly payments of $ 2,557 plus taxes.		–		2,636
		679,481		704,234
Less: current portion		23,009		24,312
	$	656,472	$	679,922

The Entity has two demand operating lines of credit to a maximum of $1,000,000 and $200,000, respectively, from Royal Bank Canada ("RBC") bearing interest at the bank's prime rate plus 0.75% and prime rate plus 1.3% per annum, respectively (2021 – prime rate plus 0.75% and prime rate plus 1.3%). As at March 31, 2022, the outstanding balance on both operating lines was $nil (2021 – $nil).

Total interest paid on loans for the year was $27,667 (2021 – $28,966).

All credit facilities from RBC are secured by a general security agreement on the Entity's properties as well as a floating charge on land owned by the Entity.

9. Loans (continued):

Under the terms of the mortgage agreements, the Entity must maintain a debt service coverage ratio covenant of not less than 1.25:1 and a modified debt-to-equity ratio covenant of not greater than 3.00:1. As at March 31, 2022, the Entity was in compliance with both of its financial covenants.

On the assumption that the mortgages will be renewed on similar terms to those currently existing, estimated principal repayments over the next five years for the mortgages payable and capital leases are as follows:

2023	$ 23,009
2024	23,881
2025	24,923
2026	25,938
2027	26,995
Thereafter	554,735
	$ 679,481

Trellis Foundation for Community Impact (the ‘Foundation”), a related party by way of common charitable objectives, has a secured demand operating line of credit from Canadian Imperial Bank of Commerce, of which the Entity is a guarantor. The line of credit has a limit of $2,000,000 bearing interest at the bank’s prime rate plus 0.25% per annum. As at March 31, 2022, the outstanding balance of the operating line was $nil.

10. Capital lease obligations:

In the prior year, the Entity acquired furniture under two capital leases bearing interest at 2.2% per annum. As at March 31, 2022 the combined outstanding balance on both leases is $137,820 (2021 – $219,035).

The capital lease obligations are secured by the respective assets.

Principal repayments required are as follows:

2023	$ 81,755
2024	55,525
	137,280
Less: current portion	81,755
	$ 55,525

11. Internally restricted reserve:

During the year, the Board of Directors passed a motion to set up an internally restricted reserve fund to help ensure the long term financial stability of the Entity. During the year, $560,000 was transferred to the internally restricted reserve.

12. Gifts in kind:

Included in donations revenue is $30,746 (2021 – $50,624) of gifts in kind.

13. Government Assistance:

The Government of Canada created the Canada Emergency Wage Subsidy ("CEWS") to provide wage assistance to companies who experienced a drop in revenues resulting from the COVID-19 outbreak. During the year, the Entity met the eligibility requirements for total relief of $1,189,575 (2021 – $2,828,876), which has been recognized in administrative revenue on the statement of revenues and expenses for the year ended March 31, 2022. Of the amount recognized, $nil remains in accounts receivable (2021 – $564,222).

14. Surplus:

Certain of the Entity's funding sources retain the right under contract to reclaim any funded program surplus consisting of grants in excess of actual funded expenditures. The Entity, in accordance with surplus retention agreements with its funders, may obtain permission from funding sources to allocate surpluses and apply them to specific purposes. Any surpluses incurred at the year ended March 31, 2022 have been handled in accordance with the agreements and have only been carried over upon funders' consent.

15. Charitable Fund-raising Act and Regulations compliance:

Section 8 of the Charitable Fund-raising Act and Sections 6(2) and 7(2) of the Charitable Fund-raising Regulations require the financial information return and audited financial statements to contain certain information related to contributions and related expenses.

Total compensation paid to employees whose principal duties involve fundraising was $545,797 (2021 – $481,365). Total expenses incurred for the purpose of soliciting contributions were $147,752 (2021 – $159,891).

16. Income taxes:

The Entity is registered as a charitable organization under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Entity must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

17. Related party transactions:

The Entity leases group homes from the Foundation for which rental payments of $649,275 (2021 – $745,050) were paid during the year.

Also, during the year, the Entity received a $140,000 (2021 – $50,000) donation from the Foundation and an additional $642,010 (2021 – $457,360) of general purpose donation, of which $nil (2021 – $nil) is included in accounts receivable at year-end. The $140,000 donation is considered Splash Event fundraising and is reflected in donations revenue. The $642,010 general donation above are shown as Trellis Foundation Support revenue. The Entity paid $nil (2021 – $1,400,000) to the Foundation during the year (previous year's amount was recorded in administrative support expenses). In addition, the Foundation paid $200,000 (2021 – $nil) to the Entity for facilities maintenance of which $102,681 is in deferred revenue (2021 - $nil). The difference of $97,319 between the amount received and amount deferred is recognized on the statement of revenue and expenses as Trellis Foundation support revenue.

18. Financial instruments:

(a) Market risk:

The Entity is exposed to market risk as a portion of its investment portfolio is held in marketable securities, which fluctuate with market pressures. Revenue could be affected adversely by changes in the market.

(b) Liquidity risk:

The Entity's objective is to have sufficient liquidity to meet its liabilities when due. The Entity monitors its cash and cash equivalents balances and cash flows generated from operations to meet its requirements.

(c) Currency risk:

The Entity is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of the business, the Entity may own shares of investments denominated in U.S. dollars and other foreign currencies.

(d) Credit risk:

The Entity is exposed to credit risk as it relates to cash and cash equivalents, restricted cash, and accounts receivable. Cash is held with Canadian financial institutions, and accounts receivable is due from reputable funders and donors with no history of non-payment.

(e) Interest rate risk:

Interest rate risk reflects the sensitivity of the Entity's financial results and operations to movements in interest rates. The Royal Bank of Canada operating line is subject to changes in the prime interest rate. As a result, the Entity is exposed to changes in interest rates. Increases or decreases in these rates could affect the Entity's revenues over expenses.

Investments have varying maturity dates. Accordingly, if interest rates decline, the Entity may not be able to reinvest the maturing investment at a rate similar to that of the balance maturing.

There is no significant change in risk exposure from prior years.

19. Commitments:

The Entity has various operating leases for premises expiring on or before September 30, 2029. These leases commit the Entity to the following estimated minimum annual base plus operating cost rent payments, as follows:

2023	$ 945,018
2024	962,929
2025	545,782
2026	151,590
2027	138,157
Thereafter	371,847

20. Subsequent Events

Subsequent to year end, the Entity entered into an Offer to Purchase agreement for the sale of a building asset related to Tom's Place to a third party for total proceeds of $1,530,000. Current net book value of the asset is $107,099. The due diligence process is underway and is expected to complete on August 15, 2022.

The Entity is in the process of winding up KidzBrainz Child Education Inc., its wholly owned subsidiary. The investment in subsidiary was written down to $nil in the year ended March 31, 2021 and the wind up process is expected to be completed in July 2022. The subsidiary had no operations for the year ended March 31, 2022.

21. Comparative information

Certain comparative information has been reclassified, where applicable, to conform with the presentation adopted in the current year. These reclassifications had no impact on the Entity's excess of revenues over expenses or net assets.