ALTERNATIVE RESIDENCES ALTERNATIVES INC.

Non-Consolidated Financial Statements

March 31, 2024

Bourque Richard Boutot P.C. Inc.

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Bourque Richard Boutot P.C. Inc.

Chartered Professional Accountants | Comptables Professionnels Agréés

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Alternative Residences Alternatives Inc.

Qualified Opinion

We have audited the non-consolidated financial statements of Alternative Residences Alternatives Inc. (the organization), which comprise the non-consolidated balance sheet as at March 31, 2024, and the non-consolidated statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the organization as at March 31, 2024, and the results of its non-consolidated operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses and cash flows from operations for the years ended March 31, 2024 and 2023, current assets as at March 31, 2024 and 2023, and net assets as at April 1 and March 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended March 31, 2023 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 qualified audit opinion.

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Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the organization'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 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 Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

A further description of our responsibilities for the audit of the non-consolidated financial statements is included in the appendix of this auditor's report. This description, which is located at page 4, forms part of our auditor's report.

Bourque Richard Boutot

Bourque Richard Boutot P.C. Inc.
Chartered Professional Accountants

Dieppe, New-Brunswick
October 8, 2024

APPENDIX TO INDEPENDENT AUDITOR'S REPORT

Description of the Auditor's Responsibilities for the Audit of the Non-Consolidated 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 non-consolidated 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 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ALTERNATIVE RESIDENCES ALTERNATIVES INC.
Non-Consolidated Statement of Revenues and Expenses
Year Ended March 31, 2024

	2024	2023
Revenues		
Fees for client support services	$ **2,742,958**	$ 2,345,537
Pay equity funding	**249,014**	396,789
Rental income	**135,046**	119,910
Donations	**52,058**	37,012
Rent subsidies	**77,847**	82,875
Grant COVID/Safe Restart Funding	**-**	25,125
Other income	**43,558**	22,598
Management fee	**25,000**	25,000
Loan forgiveness	**32,755**	32,755
Grants revenues (Note 16)	**86,790**	65,070
In-kind donations (Note 15)	**105,786**	-
	3,550,812	3,152,671
Expenses		
Advertizing and promotion	**1,221**	4,691
Amortization of capital assets	**127,463**	130,096
Bank charges	**9,833**	9,015
Comfort allowances	**71,078**	70,043
Donations expenses	**12,028**	589
Food expenses	**63,675**	115,554
Grants expenses (Note 16)	**86,308**	64,983
Household replacement	**5,924**	15,824
In-kind donations (Note 15)	**105,786**	-
Insurance	**42,137**	40,690
Interest on long-term debt	**21,193**	22,213
Office expenses	**15,731**	16,773
Professional fees	**9,890**	10,750
Property taxes	**6,384**	7,199
Recreation, education and medical	**8,363**	9,586
Rent	**23,096**	19,925
Repairs and maintenance	**122,101**	122,208
Salaries and benefits	**2,587,435**	2,361,835
Staff training	**4,881**	3,205
Telecommunications	**15,391**	10,516
Travel	**9,626**	8,754
Utilities	**130,835**	124,505
	3,480,379	3,168,954
Excess (deficiency) of revenues over expenses from operations	**70,433**	(16,283)
Other revenues		
Gain on disposal of capital assets	**-**	288,971
Excess of revenues over expenses	$ **70,433**	$ 272,688

ALTERNATIVE RESIDENCES ALTERNATIVES INC.
Non-Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2024

	Reserve funds	Invested in capital assets	Operating funds	2024 Total	2023 Total
Balance, beginning of year	$ 52,051	$ 2,823,730	$ 481,717	**$ 3,357,498**	$ 3,084,810
Excess of revenues over expenses	44	-	70,389	**70,433**	272,688
Transfer from reserve funds (Note 12)	5,852	-	(5,852)	**-**	-
Amortization of capital assets	-	(127,464)	127,464	**-**	-
Acquisition of capital assets	-	55,816	(55,816)	**-**	-
Grants for capital assets	-	(26,260)	26,260	**-**	-
Payments on long-term debt	-	67,160	(67,160)	**-**	-
Balance, end of year	$ 57,947	$ 2,792,982	$ 577,002	**$ 3,427,931**	$ 3,357,498

ALTERNATIVE RESIDENCES ALTERNATIVES INC.
Non-Consolidated Balance Sheet
March 31, 2024

	2024	2023
Assets		
Current assets		
Cash	**$ 454,446**	$ 414,067
Restricted cash (Note 3)	**57,947**	52,051
Accounts receivable (Note 4)	**162,802**	98,025
HST receivable	**17,036**	23,933
Prepaid expenses	**52,909**	51,276
Temporary investments	**457,785**	401,196
	1,202,925	1,040,548
Capital assets (Note 5)	**3,629,952**	3,727,861
Investment in subsidiary (Note 6)	**1**	1
	$ 4,832,878	$ 4,768,410
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	**$ 156,501**	$ 232,977
Deferred revenue (Note 9)	**411,477**	233,806
Current portion of long-term debt (Note 10)	**68,140**	107,127
	636,118	573,910
Long-term debt (Note 10)	**768,829**	837,002
	1,404,947	1,410,912
Net assets		
Reserve funds (Note 12)	**57,947**	52,051
Invested in capital assets	**2,792,982**	2,823,730
Operating funds	**577,002**	481,717
	3,427,931	3,357,498
	$ 4,832,878	$ 4,768,410

On behalf of the Board

____________________________, Director

____________________________, Director

ALTERNATIVE RESIDENCES ALTERNATIVES INC.
Non-Consolidated Statement of Cash Flows
Year Ended March 31, 2024

	2024	2023
Operating activities		
Excess of revenues over expenses	$ 70,433	$ 272,688
Non-cash items:		
Amortization of capital assets	127,464	130,096
Gain on disposal of capital assets	-	(288,973)
	197,897	113,811
Net change in non-cash items related to operating activities:		
Temporary investments	(56,589)	(401,196)
Accounts receivable	(64,777)	129,532
Restricted cash	(5,896)	87,284
HST receivable	6,897	2,111
Due from related party	-	685
Prepaid expenses	(1,633)	(3,486)
Accounts payable and accrued liabilities	(76,476)	(2,074)
Deferred revenue	177,671	32,851
	177,094	(40,482)
Investing activities		
Acquisition of capital assets	(55,816)	(154,867)
Grant for capital assets	26,261	12,283
Proceeds from capital assets	-	307,675
	(29,555)	165,091
Financing activity		
Repayment of long-term debt	(107,160)	(66,141)
Increase in cash	40,379	58,468
Cash, beginning of year	414,067	355,599
Cash, end of year	$ 454,446	$ 414,067
Cash and cash equivalents		
Cash	$ 454,446	$ 414,067

1. Statutes of incorporation and nature of activities

Alternative Residences Alternatives Inc. is incorporated under the laws of the Province of New Brunswick as a non-profit organization. Alternative Residences Alternatives Inc. provides continuous care and supervision to individuals living with chronic mental illness. As a registered charity, the organization is exempt from income taxes under section 149(1)(l) of the Canadian Income Tax Act.

2. Significant accounting policies

The organization applies the Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of non-consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the amounts recognized as revenues and expenses for the periods covered. Actual results may differ from these estimates. The critical estimates relate to the useful lives of capital assets

Revenue recongnition

Fees for client support service, rent subsidies, rental revenue, pay equity funding and management fees revenues are recognized as they are earned.

Loan forgiveness revenue is recognized on an annual basis as the terms of the agreement are met.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount receivable can be reasonably estimated and its collection is reasonably assured.

Fund accounting deferred

The organization follows the deferral method of accounting for contributions which includes grants and donations. Contributions relating to capital assets are recorded as a reduction of the cost of the capital asset.

Restricted contributions are recognized as revenue in the year in which the related expenses are made. 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.

The organization has three funds included in its financial statements, operating, invested in capital assets and reserve fund. The operating fund includes all day to day operations of the organization. The invested in capital asset fund holds all the capital assets and related debit of the organization. The reserve fund is an internally restricted fund used for the purpose of maintaining its various properties.

2. Significant accounting policies (continued)

Government assistance

Amounts received or receivable resulting from government assistance programs are reflected as reductions of the cost of the assets they relate, or income for the year when the organization has incurred expenses in which they related. Any amounts for which the organization has not incurred the costs related to the grant is included in deferred revenue until such costs have been incurred.

Cash and cash equivalents

The organization's policy is to present bank balances, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn, under cash and cash equivalents.

Short-term investment

The short-term investment is recorded at the fair market value.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated using the declining balance method at the following rates:

	Rates
Building	4%
Office furniture	20%
Computer hardware	40%

Deferred grants

Capital grants are accounted for as deferred grants and amortized on the same basis as the related capital assets. Operating grants are accounted for in reduction of operating expenses.

Investment in subsidiary

The organization issues only non-consolidated financial statements and its investment in the subsidiary is accounted for at cost.

Financial instruments

Initial measurement

The organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost.

2. Significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

The organization subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost using the straight-line method include cash, restricted cash, accounts receivable and investment in subsidiary.

A financial liability issued by the organization in an arm's length transaction indexed to a measure of the organization's financial performance or to changes in the value of the organization's equity is remeasured at the higher of the amortized cost of the debt or the amount that would be due at the balance sheet date if the formula determining the additional amount was applied at that date. The amount of the adjustment relating to the additional amount is recognized in income and presented as a separate component of interest expense.

3. Restricted cash

	2024	2023
Reserve account - Lutz/Lakewood	**$ 11,440**	$ 11,434
Reserve account - Program	**300**	3,184
Reserve account - Capital	**46,207**	37,433
	$ 57,947	$ 52,051

The organization has set up reserve accounts for the purpose of maintaining the properties related to the Lutz/Lakewood project and program activities. The funds are internally restricted and expected to be utilized within the next fiscal year.

4. Accounts receivable

	2024	2023
Pay equity	**$ 46,673**	$ 26,824
Client services	**103,259**	66,312
Other	**12,870**	4,889
	$ 162,802	$ 98,025

5. Capital assets

	Cost	Accumulated amortization	**2024** Net book value	2023 Net book value
Land	$ 638,886	$ -	**$ 638,886**	$ 638,886
Building	4,493,268	1,442,510	**3,050,758**	3,124,357
Office furniture	25,184	20,864	**4,320**	5,400
Computer hardware	17,402	14,317	**3,085**	2,303
	5,174,740	1,477,691	**3,697,049**	3,770,946
Grants	93,543	26,446	**67,097**	43,085
	$ 5,081,197	$ 1,451,245	**$ 3,629,952**	$ 3,727,861

6. Investment in subsidiary

ARA Management Inc., a wholly-owned subsidiary of this organization operates under an annual contract with Vitalité Health Network for the crisis centre.

During the year, the organization received management fees from ARA Management Inc. in the amount of $25,000 (2023 - $25,000). These fees are intended to reimburse the organization for administrative expenses related to the operations of ARA Management Inc. and are recorded at the exchange amount. Also, the organization received a donation of $6,000 (2023 - $6,000) from its subsidiary.

In addition, the property ARA Management Inc. uses to conduct its organization's activities is owned by Alternative Residences Alternatives Inc. and $12,180 (2023 - $11 472) of rent is charged.

ARA Management Inc. has not been consolidated in the organizations financial statements. Financial statements of ARA Management are available upon request.

7. Bank loan

Alternative Residences Alternatives inc. has a line of credit bearing interest at prime + 1% per annum with a limit of $250,000, secured by collateral mortgages on the land and building located at 1144 Amirault Street (net book value of $1,862,829) and 351 Lutz Street (net book value of $426,295). The line of credit was not utilized at year end.

8. Accounts payable and accrued liabilities

		2024		2023
Accounts payable	**$**	**59,101**	$	80,679
Credit card payable		**2,145**		11,378
Accrued liabilities		**12,462**		15,457
Damage deposits		**2,150**		2,550
Wages payable		**80,643**		122,913
	$	**156,501**	$	232,977

9. Deferred revenue

		2024		2023
Province of New Brunswick	**$**	**212,672**	$	202,590
Community Support Program		**30,850**		21,235
Mobility Access		**7,211**		7,211
Green Kickstart		**-**		1,743
Community Food Action		**-**		1,027
Red cross		**27,744**		-
LEE Grant		**133,000**		-
	$	**411,477**	$	233,806

Deferred revenue consists of funding from the Province of New Brunswick, rental revenue and other client as well as other grants that will be used during the following fiscal period.

10. Long-term debt

		2024		2023
Canada Emergency Business Account (CEBA) loan, repaid during the year	**$**	**-**	$	40,000
New Brunswick Housing Corporation forgivable loan bearing interest at 6.2% per annum. Principal and interest are forgiven annually providing the terms of the agreement with New Brunswick Housing Corporation are met. The loan is secured by a second mortgage on 443 Danois St., Dieppe (net book value of $405,048). The loan matures in April 2025.		**14,000**		28,000
Balance to carry forward		**14,000**		68,000

10. Long-term debt (continued)

		2024		2023
Balance carried forward		**14,000**		68,000
New Brunswick Housing Corporation forgivable loan bearing interest at 2.7% per annum. Principal and interest are forgiven annually providing the terms of the agreement with New Brunswick Housing Corporation are met with regards to the Lutz property. The loan is secured by the Lutz property (net book value of $426,295). The loan matures in March 2027.		**32,264**		43,019
Loan payable to Caisses Populaires Acadiennes bearing interest at 2.91% per annum, repayable in monthly payments of $4,633 including interest. The loan is secured by collateral mortgage on Amirault property (net book value of $1,862 829). The loan matures in February 2026.		**710,705**		745,110
New Brunswick Housing Corporation forgivable loan bearing interest at 1.6% per annum. Principal and interest are forgiven annually providing the terms of the agreement with New Brunswick Housing Corporation are met. The loan is secured by the Victoria Street property (net book value of $271,179). the loan matures in June 2033.		**80,000**		88,000
		836,969		944,129
Current portion of long-term debt		**68,140**		107,127
	$	**768,829**	$	837,002

Long-term debt principal estimated repayments and renewable balances over the next five years are the following:

		Payable		**Renewable**
2025	$	68,140	$	-
2026	$	52,107	$	642,000
2027	$	18,755	$	-
2028	$	8,000	$	-
2029	$	8,000	$	-

11. Capital management

The organization is exposed to internal and external capital management objectives and requirements. Management acts to ensure that the organization complies with these requirements and is not aware of any violations which would result in any third party taking any actions against the organization.

12. Reserve funds

	2024	2023
Reserve funds - Program	$ 300	$ 3,184
Reserve funds - Lakewood	11,440	11,434
Reserve funds - Capital	46,207	37,433
	$ 57,947	$ 52,051

13. Economic dependence

The organization derives the majority of its funding for client support services from the Province of New Brunswick, Department of Social Development. Therefore, the organization is dependent on this funding.

14. Financial instruments

Financial risks

The significant risks arising from financial instruments to which the organization is exposed as at March 31, 2024 are detailed below.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the organization by failing to discharge an obligation. The organization's credit risk is mainly related to accounts receivable..

The organization provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The organization does not normally require a guarantee.

14. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its long-term debt and accounts payable.

Market risk

Market risk is the risk that the fair value or future cash flows of the organization's financial instruments will fluctuate because of changes in market prices. Some of the organization's financial instruments expose it to this risk, which comprises currency risk, interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the organization to changes in related future cash flows.

15. In-kind donations

The organization received In-kind donations. These donations consists of foods and furnitures.

16. Grants revenues/expenses

	2024	2023
Grants revenues		
Canada Food Action	$ -	$ 5,000
Community Support Program	40,385	37,993
Second Harvest	-	11,847
Green Kickstart	3,743	6,257
Community Food Action	1,027	3,973
Red cross	41,635	-
	86,790	65,070
Grants expenses		
Canada Food Action	-	4,913
Community Support Program	40,385	37,993
Second Harvest	-	11,847
Green Kickstart	3,635	6,257
Community Food Action	653	3,973
Red cross	41,635	-
	86,308	64,983
	$ 482	$ 87