

Financial Statements of

# **Skylark Children Youth and Families**

March 31, 2020

# Skylark Children Youth and Families

March 31, 2020

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# Independent Auditor's Report

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Grant Thornton LLP  
11th Floor, 200 King Street West, Box 11  
Toronto, ON  
M5H 3T4  
T +1 416 366 0100  
F +1 416 360 4949  
www.GrantThornton.ca

To the Members of  
**Skylark Children Youth and Families**

## Opinion

We have audited the accompanying financial statements of Skylark Children Youth and Families ("Skylark"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Skylark as at March 31, 2020 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 ("ASNPO").

## 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Skylark 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 ASNPO, 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 Skylark's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Skylark or to cease operations, or has no realistic alternative to do so.

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

## Auditor's 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 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 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 Skylark'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 Skylark'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 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 Skylark 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.

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.

*Grant Thornton LLP*

Toronto, Canada  
July 21, 2020

Chartered Professional Accountants  
Licensed Public Accountants

# Skylark Children Youth and Families

## Statement of Financial Position

As at March 31

	2020	2019
	\$	\$
<b>Assets</b>		
Current		
Cash and term deposits	4,526,671	4,918,202
Accounts receivable	900,486	481,267
Due from Skylark Foundation (Note 3)	357,013	150,117
Prepaid expenses	85,867	59,827
	<b>5,870,037</b>	5,609,413
Term deposits	600,000	-
Capital assets (Note 4)	1,278,999	1,387,183
	<b>7,749,036</b>	6,996,596
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	3,010,299	2,809,224
Deferred contributions (Note 5)	1,594,243	1,098,360
	<b>4,604,542</b>	3,907,584
Deferred capital contributions (Note 6)	379,995	436,880
	<b>4,984,537</b>	4,344,464
<b>Fund balances</b>		
Internally restricted organizational reserve fund	1,649,164	1,649,164
Capital asset fund	899,004	950,303
Unrestricted fund	216,331	52,665
	<b>2,764,499</b>	2,652,132
	<b>7,749,036</b>	6,996,596

Commitments (Note 10)

On behalf of the Board of Directors

 Director

 Director

The accompanying notes to the financial statements are an integral part of this financial statement.

# Skylark Children Youth and Families

## Statement of Operations

Year ended March 31

	2020			2019	
	Children's Mental Health	Complex Special Needs	Administration and Other	Total	Total
	\$	\$	\$	\$	\$
<b>Revenue</b>					
Grants and subsidies (Note 7)	5,231,692	33,936,573	1,843,010	41,011,275	34,854,049
Fundraising and donations	655,548	-	4,743	660,291	423,361
Partnership revenue (Note 8)	775,390	532,282	53,267	1,360,939	1,549,848
Interest and other income	4,157	-	1,527,762	1,531,919	1,938,952
Amortization of deferred capital contributions (Note 6)	115,971	21,410	20,491	157,872	174,873
	<b>6,782,758</b>	<b>34,490,265</b>	<b>3,449,273</b>	<b>44,722,296</b>	<b>38,941,083</b>
<b>Expenses</b>					
Personnel	4,837,939	1,686,594	2,620,752	9,145,285	9,349,782
Program	1,076,527	32,535,681	9,560	33,621,768	27,847,197
Operations	270,469	167,730	431,096	869,295	802,256
Building occupancy	481,852	78,850	186,221	746,923	670,148
Amortization of capital assets	115,971	21,410	89,277	226,658	174,873
	<b>6,782,758</b>	<b>34,490,265</b>	<b>3,336,906</b>	<b>44,609,929</b>	<b>38,844,256</b>
<b>Excess of revenue over expenses</b>	-	-	<b>112,367</b>	<b>112,367</b>	<b>96,827</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Skylark Children Youth and Families

## Statement of Changes in Fund Balances

Year ended March 31

	2020				2019			
	Internally restricted fund	Capital asset fund	Unrestricted fund	Total	Internally restricted fund	Capital asset fund	Unrestricted fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Fund balances, beginning of year</b>	<b>1,649,164</b>	<b>950,303</b>	<b>52,665</b>	<b>2,652,132</b>	1,649,164	645,799	260,342	2,555,305
Excess (deficiency) of revenue over expense:	-	(68,786)	181,153	112,367	-	-	96,827	96,827
Purchase of capital assets	-	118,474	(118,474)	-	-	452,504	(452,504)	-
Funding received for capital purchases	-	(100,987)	100,987	-	-	(148,000)	148,000	-
<b>Fund balances, end of year</b>	<b>1,649,164</b>	<b>899,004</b>	<b>216,331</b>	<b>2,764,499</b>	1,649,164	950,303	52,665	2,652,132

The accompanying notes to the financial statements are an integral part of this financial statement.

# Skylark Children Youth and Families

## Statement of Cash Flows

Year ended March 31

	2020	2019
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	112,367	96,827
Add items not affecting cash		
Amortization of deferred capital contributions	(157,872)	(174,873)
Amortization of capital assets	226,658	174,873
	<b>181,153</b>	96,827
Net changes in working capital balances		
Accounts receivable	(419,219)	50,437
Prepaid expenses	(26,040)	28,897
Accounts payable and accrued liabilities	201,075	(1,055,379)
Deferred contributions	495,883	123,073
	<b>432,852</b>	(756,145)
<b>Financing activities</b>		
Funding received for capital assets	100,987	148,000
Amounts due from Skylark Foundation	(206,896)	(92,689)
	<b>(105,909)</b>	55,311
<b>Investing activities</b>		
(Purchase) maturity of long-term term deposits	(600,000)	1,500,000
Purchase of capital assets	(118,474)	(452,504)
	<b>(718,474)</b>	1,047,496
Net (decrease) increase in cash and term deposits	(391,531)	346,662
Cash and term deposits, beginning of year	4,918,202	4,571,540
<b>Cash and term deposits, end of year</b>	<b>4,526,671</b>	4,918,202
<b>Comprised of</b>		
Cash	3,526,671	2,886,023
Term deposits	1,000,000	2,032,179
	<b>4,526,671</b>	4,918,202

The accompanying notes to the financial statements are an integral part of this financial statement.

# Skylark Children Youth and Families

## Notes to the Financial Statements

March 31, 2020

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### 1. Purpose of the organization

Skylark Children Youth and Families ("Skylark") enables young people and their families to live well, thrive and grow in the face of mental health and developmental challenges by finding, developing and delivering the support services that are right for them and their families.

Skylark as a direct service provider offers counseling, long-term group home programs and day treatment programs for youth with mental health problems. Skylark also provides programs in the prevention continuum, such as our youth art gallery and youth drop-in center.

Through the Special Needs Program, Skylark assists children with complex special needs and their families to access residential placements and support. The Special Needs Team offers centralized resources for children with developmental disabilities and severe medical or behavioral problems. This team is often relied upon to provide expertise in case direction and leadership for complex cases to children and their families with these needs.

Skylark's programs and services are primarily funded by the Ministry of Children, Community and Social Services and Ministry of Health and Long-Term Care (collectively referred to as the "Ministry"), governed by the Child and Family Services Act ("CFSA") and Services and Supports to Promote the Social Inclusion of Persons with Developmental Disabilities Act, administered by the Ministry.

Skylark is incorporated by letters patent under the Canada Not-for-Profit Corporations Act as an organization without share capital and is a registered charity under the Income Tax Act (Canada). Skylark must meet certain requirements under the Income Tax Act (Canada). In the opinion of management, these requirements have been met.

On April 1, 2020 Skylark amalgamated with three other multi-service agencies in Toronto: Adventure Place, The Etobicoke Children's Centre and Griffin Centre to form a new agency called Lumenus Community Services ("Lumenus"). The vision of Lumenus is to provide excellent, accessible and integrated mental health, developmental and community services to individuals of all ages.

### 2. Summary of significant accounting policies

#### *Basis of presentation*

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The more significant accounting policies have been outlined below.

#### *Use of estimates*

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Primary components of these financial statements which include estimates are: accounts receivable, with respect to collection; capital assets, with respect to useful life and amortization; accrued liabilities; and deferred contributions. Actual results could differ from management's best estimates as additional information becomes available in the future.

# Skylark Children Youth and Families

## Notes to the Financial Statements

March 31, 2020

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### 2. Summary of significant accounting policies (continued)

#### *Financial instruments*

Skylark considers any contract creating a financial asset, liability or equity instrument as a financial instrument. Skylark's financial assets are comprised of cash and term deposits and accounts receivable; financial liabilities are comprised of accounts payable.

Financial assets and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Term deposits mature between May 2020 and November 2021 (2019 - May 2019 and December 2019) and earn interest at rates between 2.00% and 2.12% (2019 - 1.00% and 2.12%)

#### *Fund accounting*

The Unrestricted fund accounts for Skylark's administrative activities. This fund reports unrestricted resources in excess of operating requirements.

The Capital asset fund reports the capital assets, liabilities, revenue and expenses related to program capital assets.

The Internally restricted organizational reserve fund accounts for Skylark's resources which have been transferred from the Unrestricted fund for specific purposes by the Board of Directors.

#### *Revenue recognition*

Skylark follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the unrestricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are deferred and recognized as revenue in the appropriate restricted fund in the year in which the related expenses are incurred.

#### *Capital assets*

Capital assets are recorded at cost. Amortization is provided over their expected useful lives on the straight-line basis as follows:

Building	25 years
Leasehold improvements	Over the lease term
Furniture and equipment	3 years
Computer equipment	2 years

#### *Allocation of expenses*

Skylark incurs administration costs that are common to the administration of each of its programs. Administration costs are allocated to the programs based on the contracts with the funders. Most contracts allow for 10% of the contract amount for administration expenses; the others are negotiated with the funder.

# Skylark Children Youth and Families

## Notes to the Financial Statements

March 31, 2020

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### 2. Summary of significant accounting policies (continued)

#### *Donations in kind*

Donated goods and services in kind are recorded as donations and expensed at fair value when an objective basis to measure their value is available.

### 3. Related party transactions

Skylark Foundation (the "Foundation") was established to receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to Skylark. The Foundation was incorporated on September 1, 1994 under the Canada Not-for-Profit Corporations Act. The Foundation is a registered Canadian Charitable Organization and is exempt from tax under the Income Tax Act, Canada, Subsection 149 (1)(f). The Foundation is in the process of officially changing its name to Lumenus Foundation.

Skylark and the Foundation share administrative staff, management and have common board members. Skylark exercises control over the Foundation by virtue of its power to determine the Foundation's strategic, operating, investing and financial policies. Related party transactions are measured at their exchange amount, which is the amount agreed upon by both parties.

The balance due from the Foundation is non-interest bearing and due on demand.

During the year, the Foundation distributed \$1,349,595 (2019 - \$754,685) in grants to fund programs at Skylark, which are initially deferred and included in grants and subsidies in the statement of operations as related expenses are incurred.

During the year, Skylark distributed \$91,851 (2019 - \$110,126) in grants to the Foundation through the inter-company accounts in the statement of operations.

During the year, the Foundation earned rental income on the Huron residence from Skylark of \$36,000 (2019 - \$36,000) included in building occupancy in the statement of operations.

The Foundation has not been consolidated in Skylark's financial statements as the Foundation is accounted for at cost. Financial statements of the Foundation are available on request. Financial summary of the Foundation as at March 31, 2020 and 2019 and for the years then ended is as follows:

# Skylark Children Youth and Families

## Notes to the Financial Statements

March 31, 2020

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### 3. Related party transactions (continued)

#### Financial Position

	2020	2019
	\$	\$
Total assets	2,958,121	2,557,166
Total liabilities	369,957	162,943
Total fund balances	2,588,164	2,394,223
	2,958,121	2,557,166

#### Results of Operations

	2020	2019
	\$	\$
Total revenue	1,789,449	1,328,008
Total expenses	1,595,508	1,033,432
Excess of revenue over expenses	193,941	294,576

#### Cash flows

	2020	2019
	\$	\$
Cash from operating activities	224,573	345,562
Cash from investing activities	(34,867)	(521,469)
Cash from financing activities	206,896	92,749
Net cash flows	396,602	(83,158)

# Skylark Children Youth and Families

## Notes to the Financial Statements

March 31, 2020

### 4. Capital assets

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	340,000	-	<b>340,000</b>	340,000
Building	970,099	480,435	<b>489,664</b>	529,160
Leasehold improvements	1,112,146	967,068	<b>145,078</b>	157,732
Furniture and equipment	402,121	364,527	<b>37,594</b>	20,687
Computer equipment	792,815	526,152	<b>266,663</b>	339,604
	<b>3,617,181</b>	<b>2,338,182</b>	<b>1,278,999</b>	<b>1,387,183</b>

Pursuant to a financial agreement between Skylark and the Ministry dated March 29, 2008, the Ministry has provided financial assistance towards the purchase and renovation of the land and building. In accordance with the financial assistance agreement, Skylark has registered a restriction on title that stipulates that in the event of a sale of the land and the building, the net proceeds will be distributed pro-rata between Skylark and the Ministry.

### 5. Deferred contributions

The changes in deferred contributions are as follows:

	March 31, 2019	Received/ Receivable	Recognized	Balance March 31, 2020
	\$	\$	\$	\$
Grants and subsidies	471,932	329,630	(145,482)	<b>656,080</b>
Fundraising and other	622,161	945,525	(633,972)	<b>933,714</b>
Charitable gaming	4,267	32,568	(32,386)	<b>4,449</b>
	<b>1,098,360</b>	<b>1,307,723</b>	<b>(811,840)</b>	<b>1,594,243</b>

### 6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The transfers from deferred capital contributions for non-depreciable assets are a direct transfer to the capital asset fund. Deferred capital contributions are recognized as revenue in the statement of operations at rates corresponding to those applied to record amortization expense for the related capital assets. The changes in the deferred capital contributions balance are as follows:

	2020	2019
	\$	\$
Balance, beginning of year	<b>436,880</b>	463,753
Funds received for capital asset purchases	<b>100,987</b>	148,000
Amortization of deferred capital contributions	<b>(157,872)</b>	(174,873)
Balance, end of year	<b>379,995</b>	436,880

# Skylark Children Youth and Families

## Notes to the Financial Statements

March 31, 2020

### 7. Grants and subsidies

	2020	2019
	\$	\$
Operating residential programs		
MOHLTC	1,447,477	1,550,240
United Way	50,000	50,000
Child tax benefit allocation	-	1,800
	<b>1,497,477</b>	<b>1,602,040</b>
Day and counseling programs		
MOHLTC	2,073,253	1,975,973
United Way	126,334	126,334
	<b>2,199,587</b>	<b>2,102,307</b>
Central access to residential services (CARS)		
MOHLTC	469,621	469,621
Unusually Difficult Service Situations (UDSS) and Specialized Treatment, Education and Planning for Success (STEPS) residential programs		
MOHLTC	804,478	679,698
Complex Special Needs programs		
MCCSS Case Management	1,014,198	986,456
MCCSS Case Management	1,129,213	1,068,789
MCYS Children's Purchase Services	12,098,139	9,788,901
MCSS Adults' Purchased Services	20,628,587	17,076,946
Child Tax Benefit allocation	207,291	193,086
MCCSS	<b>35,077,428</b>	<b>29,114,178</b>
The Residential Placement Advisory Committee (RPAC)		
MCCSS	101,224	63,100
The Studio Youth Drop-in Centre		
United Way	147,000	147,000
City of Toronto - Investing in Neighbourhoods		-
City of Toronto - Toronto Urban Health Fund	86,014	81,400
	<b>233,014</b>	<b>228,400</b>
Other programs and services		
Centre for Addiction and Mental Health (CAMH) - Youth Wellness Hubs Ontario (YWHO)	242,090	50,000
YouthCan Impact Walk-in	48,680	271,479
MOHLTC - Restorative Wraparound program	168,000	168,000
City of Toronto - Housing Support Services,	94,952	93,826
MOHLTC - COVID-19	37,526	-
MLSE LaunchPad Walk-In	25,000	-
Human Resource Development Canada (HRDC)	12,198	8,400
MCCSS - Children and Youth Services Information System (CYSIS) user fees	-	3,000
	<b>628,446</b>	<b>594,705</b>
	<b>41,011,275</b>	<b>34,854,049</b>

# Skylark Children Youth and Families

## Notes to the Financial Statements

March 31, 2020

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### 8. Partnership revenue

	2020	2019
	\$	\$
Day and counseling programs		
MERGE	616,487	686,273
Complex Special Needs		
Passport Funding	585,549	686,776
Other programs and services		
Youth Outreach Worker, Violence Against Women, Direct Access Child Welfare and New Mentality	158,903	176,799
	<b>1,360,939</b>	<b>1,549,848</b>

### 9. Allocation of administration costs

Skylark allocates administration costs from Administration and Other to Children's Mental Health and Complex Special Needs as presented in the statement of operations as follows:

	2020	2019
	\$	\$
Children's Mental Health	659,239	610,306
Complex Special Needs	1,259,245	1,291,149
	<b>1,918,484</b>	<b>1,901,455</b>

### 10. Commitments

Skylark has entered into agreements to lease premises and equipment for various periods until September 30, 2021. Skylark is committed to the following future minimum annual lease payments:

	\$
2021	543,403
2022	39,020
	<b>582,423</b>

# Skylark Children Youth and Families

## Notes to the Financial Statements

March 31, 2020

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### 11 Credit facility

Skylark has established a revolving demand credit facility. The credit facility bears interest at the bank's prime rate plus 0.7% with an overall credit limit of \$1,200,000. The credit facility is secured by a general security agreement on all the assets of Skylark and a collateral mortgage in the amount of \$1,137,500 on the land and building located at 45 Hillside Avenue East, Toronto. The credit facility balance used is \$Nil at March 31, 2020 (2019 - \$Nil).

### 12. Indemnity of directors and officers

In the normal course of business, Skylark enters into agreements that meet the definition of a guarantee. Indemnity has been provided to all directors and officers of Skylark for various items including, but not limited to, all costs to settle suits or actions due to involvement with Skylark, subject to certain restrictions. Directors' and officers' liability insurance has been purchased to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined but is limited to the period over which the indemnification party served as a director or officer of Skylark. The maximum amount of any potential future payment cannot be reasonably estimated.

### 13. Financial instruments

Skylark has a risk management framework to monitor, evaluate and manage risks assumed with its financial instruments. The risks that arise from financial instruments include interest rate risk, credit risk and liquidity risk. It is management's opinion that Skylark is not exposed to significant currency or market risks arising from its financial instruments. There were no significant changes in risks from prior years.

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of term deposits held by Skylark. To manage these risks Skylark purchases fixed interest term deposits, thus limiting exposure to interest rate risk.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Skylark's credit risk is managed through proactive credit management policies. The allowance of doubtful accounts in relation to accounts receivable is \$Nil (2019 - \$Nil).

#### *Liquidity risk*

Liquidity risk is the risk Skylark will encounter difficulty in meeting the obligation associated with its financial liabilities. Skylark is exposed to this risk mainly in respect to its accounts payable. Skylark reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintaining adequate cash reserves to repay creditors.

# Skylark Children Youth and Families

## Notes to the Financial Statements

March 31, 2020

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### 14. Comparative amounts

Certain prior year's comparative amounts have been reclassified to conform to the current year's presentation

### 15. Subsequent event

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Skylark has determined that this event is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Skylark for future periods.

At the board approval date, although Skylark has merged as noted in Note 1, the merged entities major funding agreements have remained relatively unchanged from previous fundings provided to the previous organizations. However, the merged entity has and continues to consider options available to adjust its operations should there be any changes in their revenue streams.