House of Compassion of Toronto

Financial Statements

March 31, 2021

Chaplin & co
CHARTERED ACCOUNTANTS

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CHARTERED ACCOUNTANTS

September 23, 2021

Independent Auditors' Report

To the Board of Directors of House of Compassion of Toronto

Opinion
We have audited the accompanying financial statements of House of Compassion of Toronto, which comprise the balance sheet as at March 31, 2021 and the statements of changes in fund balances, operations, 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 House of Compassion of Toronto as at March 31, 2021, 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 modified to conform with the financial reporting provisions of the City of Toronto.

Other matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the House of Compassion of Toronto to comply with the reporting provisions of the City of Toronto. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the directors of the House of Compassion of Toronto and should not be used by parties other than the directors of House of Compassion of Toronto, the City of Toronto and the Ministry of Health and Long Term Care.

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 modified to conform with the financial reporting provisions of the City of Toronto 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 House of Compassion of Toronto'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 House of Compassion of Toronto or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing House of Compassion of Toronto's financial reporting process.

Roger Chaplin CPA, CA LPA MA [Oxon] Gail Bergman CPA, CA LPA B Comm

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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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 House of Compassion of Toronto'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 House of Compassion of Toronto'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 House of Compassion of Toronto 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.

Chaplin & Co.

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario

House of Compassion of Toronto

Balance Sheet

	Notes	Operating Fund	Restricted Funds	March 31 2021	March 31 2020
Assets					
Current					
Cash		$ 162,903	$ 266,505	$ 429,408	$ 377,919
Amounts receivable		27,548	-	27,548	27,607
GST/HST recoverable		44,845	-	44,845	33,082
Prepaid expenses		5,073	-	5,073	4,637
		240,369	266,505	506,874	443,245
Capital reserve fund investments	2	-	49,988	49,988	46,169
Capital assets	3	1,375,536	-	1,375,536	1,420,056
		$ 1,615,905	$ 316,493	$ 1,932,398	$ 1,909,470
Liabilities					
Current					
Accounts payable and accrued liabilities		$ 44,468	$ -	$ 44,468	$ 27,992
Due to City of Toronto	4	11,151	-	11,151	3,203
Government remittances payable		-	-	-	439
Current portion of mortgages payable	5	45,920	-	45,920	44,520
		101,539	-	101,539	76,154
Mortgages payable	5	120,097	-	120,097	166,017
Loan payable to City of Toronto	6	-	15,000	15,000	15,000
		221,636	15,000	236,636	257,171
Fund balances					
Net investment in capital assets		1,209,519	-	1,209,519	1,209,519
Operating fund		184,750	-	214,750	179,476
Restricted funds		-	301,493	271,493	263,304
		1,394,269	301,493	1,695,762	1,652,299
		$ 1,615,905	$ 316,493	$ 1,932,398	$ 1,909,470

Approved on behalf of the Board of Directors of House of Compassion of Toronto:

Neil Hetherington, Chair

Graeme Clark, Treasurer

Year ended March 31, 2021

	City of Toronto Capital Reserve	Reserve for capital items	Invested in capital assets	Unrestricted surplus	Total 2021
Balance, beginning of year	$ 58,704	$ 204,600	$ 1,209,519	$ 179,476	$ 1,652,299
Contributions	4,370	30,000	-	-	34,370
Operating income before amortization	-	-	-	49,794	49,794
Amortization	-	-	(44,520)	-	(44,520)
Mortgage principal repayments	-	-	44,520	(44,520)	-
Investment income	1,202	-	-	-	1,202
Unrealized gain on investments	2,617	-	-	-	2,617
Balance, end of year	$ 66,893	$ 234,600	$ 1,209,519	$ 184,750	$1,695,762

Year ended March 31, 2020

	City of Toronto Capital Reserve	Reserve for capital items	Invested in capital assets	Unrestricted surplus	Total 2020
Balance, beginning of year	$ 54,792	$ 182,600	$ 954,296	$ 478,898	$1,670,586
Contributions	4,269	22,000	-	-	26,269
Operating loss before amortization	-	-	-	(909)	(909)
Amortization	-	-	(43,290)	-	(43,290)
Mortgage principal repayments	-	-	43,290	(43,290)	-
Investment income	833	-	-	-	833
Unrealized loss on investments	(1,190)	-	-	-	(1,190)
Purchase of capital assets	-	-	255,223	(255,223)	-
Balance, end of year	$ 58,704	$ 204,600	$ 1,209,519	$ 179,476	$1,652,299

Statement of Operations and Changes in Operating Fund

	Notes	Shelter (City of Toronto)	Other	Year ended March 31 2021	2020
Revenue					
Province support fund		$ -	$ 264,415	$ 264,415	$ 264,631
Donations		-	106,274	106,274	113,172
Interest and other income		-	1,360	1,360	4,354
Supportive income from residents		-	121,256	121,256	121,527
Municipal rent subsidies	2	93,562	-	93,562	94,433
Provincial rent subsidies		-	77,748	77,748	77,748
Rental income from residents		35,966	27,088	63,054	56,550
		129,528	598,141	727,669	732,415
Expenses					
Administration (page 6)		9,886	29,655	39,541	33,139
Food, supplies and services		-	86,793	86,793	86,233
Fundraising		-	351	351	82
Insurance		3,425	3,767	7,192	6,371
Maintenance and repairs (page 6)		7,626	30,503	38,129	33,203
Mortgage interest		5,229	-	5,229	6,461
Professional development		-	419	419	150
Professional fees		2,075	6,225	8,300	10,379
Program and administrative fees		-	10,576	10,576	10,576
Residents' social programming		-	13,084	13,084	11,394
Utilities (page 6)		9,711	10,679	20,390	19,487
Wages and benefits		52,949	504,412	557,361	517,661
		90,901	696,464	787,365	735,136
Operating income (loss) before under-noted		38,627	(98,323)	(59,696)	(2,721)
COVID-19 donations		-	71,058	71,058	-
COVID-19 related subsidies		-	38,432	38,432	1,812
Operating income (loss) before amortization		38,627	11,167	49,794	(909)
Amortization		(44,520)	-	(44,520)	(43,290)
Net operating income (loss) for the year		$ (5,893)	$ 11,167	$ 5,274	$ (44,199)

Schedule of Expenses

	Shelter (City of Toronto)	Other	Year ended March 31 2021	2020
Administration				
Book-keeping	$ 3,828	$ 11,484	$ 15,312	$ 14,008
Bank charges	875	2,625	3,500	3,948
Communications	2,007	6,021	8,028	4,288
Memberships	285	854	1,139	1,577
Office	2,099	6,296	8,395	5,188
Postage	200	598	798	94
Recruitment	411	1,233	1,644	3,052
Transportation	181	544	725	984
	$ 9,886	$ 29,655	$ 39,541	$ 33,139
Maintenance and repairs				
Building	$ 3,040	$ 12,160	$ 15,200	$ 14,709
Electrical and heating systems	18	72	90	-
Equipment	1,619	6,476	8,095	6,150
Fire safety	1,801	7,203	9,004	5,860
Grounds	467	1,869	2,336	203
Heating and plumbing	507	2,028	2,535	5,465
Pest control	174	695	869	816
	$ 7,626	$ 30,503	$ 38,129	$ 33,203
Utilities				
Electricity	$ 3,156	$ 3,471	$ 6,627	$ 6,558
Gas	1,998	2,197	4,195	3,709
Solid waste	2,289	2,517	4,806	4,863
Water	2,268	2,494	4,762	4,357
	$ 9,711	$ 10,679	$ 20,390	$ 19,487

Statement of Cash Flows

	Year ended March 31 2021	2020
Cash flows provided by (used in)		
Operations		
Net operating income (loss) for the year	$ 5,274	$ (44,199)
Non-cash items		
Amortization	44,520	43,290
	49,794	(909)
(Increase) decrease in non-cash working capital		
Amounts receivable	59	38,287
GST/HST receivable	(11,763)	(4,400)
Due from City of Toronto	-	3,135
Prepaid expenses	(436)	(520)
Accounts payable and accrued liabilities	16,476	(21,909)
Due to City of Toronto	7,948	3,203
Government remittances payable	(439)	(2,225)
	61,639	14,662
Investing		
Capital reserve fund investments	(1,202)	(833)
Purchase of capital assets	-	(255,223)
	(1,202)	(256,056)
Financing		
Repayment of mortgages payable	(44,520)	(43,290)
Contributions to reserve for capital items	34,370	26,269
	(10,150)	(17,021)
Change in cash before under-noted	50,287	(258,415)
Investment interest income earned on restricted funds	1,202	833
Change in cash during the year	51,489	(257,582)
Cash, beginning of year	377,919	635,501
Cash, end of year	$ 429,408	$ 377,919

House of Compassion of Toronto (Organization), which received its Letters Patent from the Province of Ontario on January 15, 1988, provides a real home for individuals from all walks of life who require help due to severe and persistent mental illness and who would otherwise be at risk of becoming homeless. The Organization's home is at 169, 171 and 171½ Shaw Street, Toronto.

The organization is registered as a charitable organization under the Income Tax Act and, as such, is not subject to income tax.

1. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared using the Canadian accounting standards for not-for-profit organizations except for the amortization of capital assets which are in accordance with the financial reporting provisions of the City of Toronto (City).

Restricted fund accounting

The financial statements have been prepared using the restricted fund method of accounting for contributions as follows:

Operating Fund

All recurring income and expenses related to the operation of the Organization and capital assets are included in this fund.

Net investment in capital assets represents capital assets net of the Organization's mortgage obligations.

Restricted Funds

City of Toronto capital reserve

This fund represents contributions from the City which are to be used to pay for capital items approved by the City.

Reserve for capital items

This fund was established from contributions received from the Bay Street Invitational Golf Tournament and now includes contributions from other donors and is restricted to the purchase of capital items.

Financial instruments

The Organization, initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for its capital reserve fund investments, which are reported at fair value with unrealized gains and losses recognized in the statement of externally-restricted funds.

Financial assets subsequently measured at amortized cost include cash, amounts receivable, GST/HST receivable and the Covid-19 receivable. Financial liabilities measured at amortized cost include the mortgage payable and accounts payable and accrued liabilities.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less from the date of purchase.

1. **Summary of significant accounting policies** (continued)

Capital assets
Purchased capital assets are stated at cost. Contributed capital assets are recorded at fair value at the date of contribution.

These financial statements do not adhere to generally accepted accounting principles as amortization is equal to principal mortgage payments funded by the City rather than by a systematic charge over the useful lives of the capital assets.

When a tangible capital asset no longer contributes to an organization's ability to provide goods and services, or the value of future economic benefits or service potential associated with the tangible capital asset is less than its net carrying amount, the net carrying amount of the tangible capital asset is written down to the asset's fair value or replacement cost.

There was no impairment during the year ended March 31, 2021.

Revenue recognition
Restricted contributions related to general operations of the Organization are recognized as revenue of the operating fund in the year in which the related expenses are incurred, with contributions related to expenses to be incurred in future years recorded as deferred revenue. All other restricted contributions are recognized as revenue of their respective fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the operating fund in the year received.

Rental and supportive income from residents is recorded during the month services are provided and when collection is reasonably assured.

Interest income is recorded on an accrual basis.

Government subsidies
Government subsidies include municipal and provincial rent subsidies, and the provincial support funds. The City and the Ministry of Health and Long-Term Care (MOHLTC) provide funding to the Organization to subsidize the cost of operational and capital expenditures. Funding related to capital and operational expenditures is recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed goods
Gifts-in-kind are valued at fair value at the date of contribution.

Allocation of expenses
The Organization obtains funding for its programmes from the City and the MOHLTC. The costs related to this funding include expenses that are directly related to providing these programmes, including property taxes and mortgages. The Organization also incurs other costs which are common to its administration and its programmes. These costs are allocated to the programmes in proportion to the number of residents funded by each programme, other than property costs which are allocated based on property usage.

1. **Summary of significant accounting policies** (continued)

Use of estimates
The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. **Capital reserve fund investments**
As required by the Housing Services Act, the Organization participates in the capital reserve investment pool established at Worldsource Financial Management Inc. by the Housing Services Corporation, as follows:

	Cost	2021 Market value	2020 Market value
Canadian Short-term Bond Fund	$ 41,583	$ 40,505	$ 39,590
Canadian Short-term Equity Fund	8,850	9,483	6,579
	$ 50,433	$ 49,988	$ 46,169

3. **Capital assets**

	2021	2020
Land	$ 357,370	$ 357,370
Building	1,649,532	1,649,532
Equipment	208,074	208,074
	2,214,976	2,214,976
less accumulated amortization	(839,440)	(794,920)
	$ 1,375,536	$ 1,420,056

4. Due (to) from City of Toronto

	2021	2020
Balance of annual rent subsidy receivable [i]	$ (8,830)	$ (8,750)
Reduction to subsidy subject to approval of the Organization's Annual Information Return		
2021	8,028	-
2020	6,298	6,298
2019	5,655	5,655
	$ 11,151	$ 3,203

[i]Rent supplement subsidies are received on a monthly basis from the City to allow the Organization to have more tenants in need of rent-geared-to-income assistance. Any excess subsidies are to be repaid to the City.

The City has advised that the Organization will receive a subsidy of $105,690, including a capital reserve fund allocation of $4,370, during the year ending March 31, 2021.

5. Mortgages payable

	2021	2020
Mortgage payable to Bank of Nova Scotia on 171 and 171½ Shaw Street, bearing interest at 2.82% per annum repayable in blended monthly principal and interest payments of $4,155 with the balance due on August 1, 2022	$ 166,017	$ 210,537
less current portion	(45,920)	(44,520)
	$ 120,097	$ 166,017

Minimum principal repayments are as follows:

2022	$ 45,785
2023	120,232
	$ 166,017

[i] The payments of the mortgage, which has a first charge on the land and building at 169 Shaw Street and a second charge on the land and building at 171 and 171 ½ Shaw Street, are funded by the MOHLTC.

6. Loan payable to the City of Toronto

Pursuant to a special capital funding agreement signed in May 1997 with the Ministry of Municipal Affairs and Housing, which subsequently transferred its rights under the agreement to the City, the Organization may be required to repay $15,000, in full or in part at the time the mortgage on the project is renewed and/or at such other time or times and in such manner as the City may determine.

7. Economic dependence

The Organization received approximately 52% (2020 - 58%) of its total revenues from government assistance. The loss of significant amounts of such funding could have a material adverse effect on the financial results of the Organization.

In addition to the funding from the City, described in note 2, the Organization is also dependent upon St. Jude Community Homes (St. Jude) to disburse the funds received from the MOHLTC as rent supplement and support funds. Effective April 1, 2019, the Organization and St. Jude entered into a two-year Service Accountability Agreement pursuant to the Local Health System Integration Act, 2006. The purpose of this agreement is to give effect to the implementation of the support program funded by the Toronto Central Local Health Integration Network. A one year extension was provided to extend the contract until March 31, 2022.

During the year, the Organization received support service funding of $264,415 (2020 - $264,631), subject to an administrative fee of $10,576 (2020 - $10,576), and rent supplement payments of $77,748 (2020- $77,748).

Under the terms of this agreement, St. Jude will provide support service funding of $264,415, subject to an administrative fee of $10,577, and rent supplement payments of $77,748 during the year ending March 31, 2022.

8. Commitments and contingencies

In 2001, the Organization entered into a funding agreement for renovations of the building at 169 Shaw Street. Under the terms of the agreement, $462,000 of the renovations were to be funded by a Supporting Communities Partnership Initiative ("SCPI") grant, provided by the City on behalf of the federal government. In March 2004, the final SCPI grant money was received upon satisfactory completion of the renovation.

Under the terms of the funding agreement, the grant money is not repayable if the Organization continues to operate as a non-profit organization and does not sell, lease or dispose of the building at 169 Shaw Street for a term of twenty five years commencing on July 24, 2001, the first day of the funding period.

If the Organization does not meet these provisions, the grant is repayable as follows:

(i) 100% prior to the first day of the sixteenth year of the term, or
(ii) 75% at any time from the first day of the sixteenth year to the last day of the twentieth year of the term.

As part of the agreement, the City has a second charge on the building at 169 Shaw Street and a third put in deferred contribution pension plans charge on the buildings at 171 and 171 ½ Shaw Street (see note 5).

9. Defined contribution pension plans

The Organization's employees are members of the Canadian Council of Christian Charities Employees Pension Plan, a defined contribution pension plan. Employees eligible for the plan can contribute up to 5% of their salary to the plan, which is matched by the Organization. During the year, the Organization's contribution to the plan was $8,034 (2020 - $9,354).

10. Financial instruments

Credit risk

The carrying value of cash, amounts receivable, GST/HST recoverable, due from City of Toronto and accounts payable and accrued liabilities, approximates their fair market value due to the immediate or short-term maturity of these instruments. In management's opinion, the Organization is not exposed to any significant concentration of interest rate, credit or currency risk with respect to these financial instruments.

Liquidity risk

The Organization considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-tem financial needs at a reasonable cost.

Interest rate risk

The Organization is not exposed to interest rate risk as it has fixed interest rate mortgages. Risk management relates to the understanding and active management of risks associated with the Organization's activities and the associated operating environment.

Market risk

The Organization is exposed to market risk with respect to its capital reserve fund investments. The Organization monitors the performance of the investments in conjunction with the investment manager.

11. COVID-19

The outbreak of the COVID-19 virus has resulted in the federal and provincial governments enacting emergency measures to contain the spread of the virus. These measures, including physical and social distancing, have resulted in an uncertain and challenging economic environment.

To date, the Organization has not suffered any adverse fiscal effect on its operations and sources of funding.