Financial Statements

Toronto Christian Resource Centre

Toronto, Ontario

December 31, 2015

Contents

PRENTICE YATES & CLARK
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditors' Report

To the Members of Toronto Christian Resource Centre:

We have audited the accompanying financial statements of Toronto Christian Resource Centre, which comprise the statement of financial position as at December 31, 2015 and the statements of changes in net assets, operations and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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Independent Auditors' Report - continued

Basis of Qualified Opinion

In common with many charitable organizations, the Corporation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Corporation and we are not able to determine whether any adjustments might be necessary to contributions, deferred contributions related to capital assets, deficit, current assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Toronto Christian Resource Centre as at December 31, 2015 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.

Toronto, Ontario
May 17, 2016

Prentice Yates & Clark

Chartered Professional Accountants, Licensed Public Accountants

Toronto Christian Resource Centre

December 31, 2015

Statement of Financial Position

		2015		2014
				Restated, Note 10
Current Assets				
Cash, Note 4	$	99,201	$	260,615
Temporary investments, Note 4		708,211		622,538
Cash in trust - RPEI		0		115,503
Accounts receivable		269,768		242,015
Due from TUCC, Note 9		0		30,000
Current portion of AHP forgivable loan receivable		90,791		87,675
Total Current		1,167,971		1,358,346
Long-Term Portion of AHP Forgivable Loan Receivable, Note 6		2,120,684		2,208,200
Capital Assets, Note 5		15,876,085		16,474,975
Capital Replacement Fund, Notes 3 and 4				
Externally restricted		134,909		93,314
Internally restricted		120,000		60,000
Internally Restricted General Fund		0		20,000
		19,419,649		20,214,835

Approved by The Board

Peter Adamson — Director

Bill Dines — Director

Statement of Financial Position

		2015		2014
				Restated, Note 10
Current Liabilities				
Accounts payable and accrued liabilities	$	160,576	$	361,132
Due to TUCC Endowment Fund		0		8,550
Tenants' deposits and prepaid rent		16,801		41,630
Deferred operating revenue		222,963		197,096
Current portion of long-term debt		170,616		166,323
Total Current		570,956		774,731
Long-Term Liabilities, Note 7				
First mortgage		5,838,722		5,969,682
Toronto United Church Council loan		311,907		328,625
United Church of Canada loan		46,595		62,251
		6,197,224		6,360,558
Lease Inducement, Note 12		0		40,000
Deferred Contributions Related to Capital Assets, Note 6		11,548,014		11,839,133
Total Liabilities		18,316,194		19,014,422
Contingencies, Note 8				
Net Assets, per statement				
Capital Replacement Reserve				
Externally restricted		134,909		93,314
Internally restricted		120,000		60,000
Internally restricted general reserve		0		20,000
Unrestricted accumulated surplus		848,546		1,027,099
		1,103,455		1,200,413
		19,419,649		20,214,835

The notes on pages 10 through 20 form an integral part of these financial statements.

Statement of Changes in Net Assets

	Capital Replacement Reserve		Internally		2015	2014
	Externally Restricted	Internally Restricted	Restricted General Fund	Unrestricted	Total	Total
Balance, beginning of year, as previously reported	$ 93,314	$ 60,000	$ 20,000	$ 985,241	$ 1,158,555	$ 915,542
Prior period adjustment, Note 10	0	0	0	41,858	41,858	0
Balance, beginning of year, restated	93,314	60,000	20,000	1,027,099	1,200,413	915,542
Add (deduct)						
Surplus (deficit)	0	0	0	(96,958)	(96,958)	284,871
Interfund transfers	41,595	60,000	(20,000)	(81,595)	0	0
Balance, End of Year	134,909	120,000	0	848,546	1,103,455	1,200,413

Statement of Operations

		2015		2014
				Restated, Note 10
Revenues				
Government grants	$	840,702	$	805,575
Foundation grants		565,436		505,960
Faith community funding		86,678		69,312
Donations - individual		164,379		239,080
Donations - corporate		172,402		77,811
Sponsorship and marketing revenue		6,567		140,525
In kind donations		2,347		3,128
Rental income		711,892		718,626
Fee income		5,705		12,061
Investment income		9,805		10,384
Other revenue		17,037		20,450
Total Revenues		2,582,950		2,602,912
Expenses				
Salaries		881,317		807,444
Benefits		118,135		104,870
Other staff costs		29,185		10,234
Program costs		188,100		108,154
Office		172,246		197,646
Building occupancy		815,224		605,223
Events		10,505		37,371
Bank and financing charges		283,864		290,068
Total Expenses		2,498,576		2,161,010
Surplus Before Amortization		84,374		441,902
Amortization of capital contributions, Note 6		345,409		339,982
Amortization of capital assets, Note 5		(495,270)		(497,013)
Leasehold improvements written off, Note12		(31,471)		0
Surplus (Deficit)		(96,958)		284,871

Statement of Cash Flows

		2015	2014
			Restated, Note 10
Operating Activities			
Surplus (deficit)	$	(96,958) $	284,871
Items not affecting cash:			
Amortization of deferred contributions		(345,409)	(339,982)
Amortization of capital assets		495,270	497,013
Loss on disposition of leaseholds		31,471	0
		84,374	441,902
Changes in non-cash working capital			
Funds in trust		115,503	(28,022)
Accounts receivable		(37,717)	4,566
Prepaid expenses		9,964	11,212
Accounts payable		(220,384)	(72,493)
Deferred operating revenue		25,867	122,471
Endowment		(8,550)	(9,700)
Cash Provided By (Used In) Operating Activities		(30,943)	469,936
Investing Activities			
Amounts received from TUCC		30,000	30,000
HST rebate applied to capital assets		94,252	0
Purchase of capital assets		(67,104)	(49,897)
Increase in investments		(167,268)	(448,391)
Cash Used In Investing Activities		(110,120)	(468,288)
Financing Activities			
Increase in deferred contributions related to capital assets		54,290	43,873
Loan principal repaid		(159,041)	(253,915)
AHP forgivable loan received		84,400	84,721
Cash Used In Financing Activities		(20,351)	(125,321)
Net cash decrease during the year		(161,414)	(123,673)
Cash position beginning of year		260,615	384,288
Cash Position End Of Year		99,201	260,615

Notes to Financial Statements

Status and Nature of Activities

The Toronto Christian Resource Centre was incorporated under the Laws of Ontario on July 16, 1965. The Corporation is a charitable organization within the meaning of the Income Tax Act and its income is not subject to income taxes. In accordance with its charitable objectives, the Corporation supervises and administers several charitable programs in the Regent Park Community of Toronto.

The Corporation has offered practical assistance to Torontonians marginalized by poverty since 1964. The Corporation provides opportunities to help residents of Regent Park and the surrounding neighbourhoods realize their potential and contribute to a better community, through its meal, clothing, housing, drop-in, food skills, community advocacy, gardening, and community enterprise programs. The Corporation operates two rent geared to income residences in Toronto. 40 Oak Street is a 87 unit complex which opened in 2012, and 501 Logan Avenue is a 10 unit rooming house.

Note 1 Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for Not-for-Profit Organizations.

Amortization

Capital assets and leasehold interests are recorded at cost. Amortization is provided over the estimated useful lives of the respective assets. No amortization is recorded during the period of development. Amortization rates are as follows:

Vehicles	30% per annum straight line
Equipment	20% per annum straight line
Leasehold interests:	
Logan Avenue property	10% per annum straight line
Oak Street property	2.5% per annum straight line

Donated Capital Assets

Donations of capital assets are recorded at fair value when fair value can be reasonably estimated and when such value is significant.

Note 1 Significant Accounting Policies - continued

Donated Materials and Services

The value of donated materials and services is not recorded.

Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted operating contributions are deferred and recognized as revenue in the same period as the related expenses are recognized.

Fees for service are recognized when they are received or become receivable.

Rents are recognized when due at the beginning of each month.

Contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense relating to these capital assets.

Other revenues are recognized when they are received.

Financial Instruments

(a) Measurement of Financial Instruments

The Corporation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and long-term debt.

(b) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Note 1 **Significant Accounting Policies - continued**

Use of Estimates

The preparation of financial statements requires management to make assumptions about future events 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. Actual results could differ from these estimates.

Note 2 **Financial Instruments**

Risk Management Policy

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2015:

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 loss.

The Corporation is subject to concentrations of credit risk through its cash accounts. The Corporation maintains all of its cash at a single Canadian financial institution. The maximum credit risk is equivalent to the carrying value.

The Corporation is also subject to concentrations of credit risk through its accounts receivable. Rent is due on the first day of the month. Tenant receivables represent rents that are at least one month past due. The Corporation manages this risk by budgeting for bad debt and vacancy loss.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its required long-term debt payments. This risk is reduced because of considerable sums invested in guaranteed investment certificates and bonds.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant. The methods and assumptions management uses when assessing market risks have not changed substantially from the prior period and are summarized below:

Note 2 Financial Instruments - continued

Interest Rate Risk

The Corporation manages its investments based on its cash flow needs and with a view to optimizing its investment income. The Corporation has invested its excess cash in low risk interest bearing vehicles such as guaranteed investment certificates as the means for managing its interest rate risk.

The mortgages and loans bear fixed interest rates.

Note 3 Reserves

Capital Replacement Fund - externally restricted

As a condition of the AHP funding, the Corporation is required to maintain a capital replacement fund and is required to annually deposit funds into an investment trust chosen and managed by the Ontario Infrastructure and Lands Corporation.

Capital Replacement Fund - internally restricted

In 2014 the Board of Directors established an internally restricted fund in addition to the externally restricted capital replacement fund. During the year ended December 31, 2015, $60,000 (2014 - $60,000) was allocated to this fund from unrestricted accumulated surplus.

Note 4 Cash, Investments and Reserve Funds

	2015	2014
Cash		
Petty cash	$ 2,100	$ 2,577
Operating current accounts	97,101	258,038
	99,201	260,615
Temporary Investments		
Guaranteed investment certificates	708,210	702,974
PH&N mutual funds	254,910	92,878
	963,120	795,852
	1,062,321	1,056,467
Composed of:		
Cash	99,201	260,615
Temporary investments	708,211	622,538
Externally restricted capital replacement funds , Note 3	134,909	93,314
Internally restricted fund	120,000	80,000
	1,062,321	1,056,467

A guaranteed investment certificate, valued at $99,756 is being held as collateral for a letter of credit issued to the City of Toronto.

Note 5 Capital Assets

	Cost	Accumulated Amortization	2015 Net	2014 Net
Leasehold interest				
40 Oak Street	$ 17,533,788	$ (1,783,790)	$ 15,749,998	$ 16,293,845
501 Logan Avenue	219,752	(167,423)	52,329	74,304
	17,753,540	(1,951,213)	15,802,327	16,368,149
Leasehold improvement -				
Social Enterprise Hub	0	0	0	80,695
Vehicle	23,568	(23,568)	0	5,892
Equipment	101,476	(27,718)	73,758	20,239
	17,878,584	(2,002,499)	15,876,085	16,474,975

Note 5 Capital Assets - continued

40 Oak Street

The land and building are owned by the Toronto United Church Council (TUCC). The Corporation has entered into an agreement to lease the property for nominal consideration, for the period from May 17, 2010 to May 18, 2060.

501 Logan Avenue

During the year ended December 31, 2007, the Corporation entered into an agreement with TUCC. Under the agreement, the Corporation sold its rental property at 501 Logan Avenue, Toronto to TUCC for $1 and leased back the property for a five year term, commencing January 2, 2007 plus one five-year renewal period, for the sum of $1 per annum.

Note 6 Deferred Contributions Related to Capital Assets

The Corporation has received both forgivable loans and contributions to be used for capital development.

The Corporation has received loans, the principal and interest of which are forgivable under the terms of the agreements. In the event that the Corporation is in default of an agreement, the remaining principal balance must be repaid. Management believes that the Corporation is not in default of the terms of the agreements and, as such, the current year's principal and interest forgiveness (amortization) have been recognized in the financial statements.

Contributions for capital development are amortized using the rates described in Note 1.

Details of the forgivable loans are as follows:

(a) Party advancing forgivable loan: Canada Mortgage and Housing Corp. (CMHC)

forgivable loan advanced	$104,037
Property	501 Logan Avenue
Security for forgivable loan	unsecured
Interest rate	N/A
Term of forgiveness	10 years

(b) Party advancing forgivable loan: Affordable Housing Program - Federal

forgivable loan advanced	$3,610,000
Property	40 Oak Street
Security for forgivable loan	Leasehold mortgage 40 Oak Street
Interest rate	4%
Term of forgiveness	20 years

Note 6 Deferred Contributions Related to Capital Assets - continued

(c) Party advancing forgivable loan: Affordable Housing Program - Provincial

forgivable loan advanced	$2,480,000
Property	40 Oak Street
Security for forgivable loan	Leasehold mortgage 40 Oak Street
Interest rate	4%
Term of forgiveness	20 years

Under the terms of the loan, the City of Toronto is advancing provincial funds totaling $2,480,000 plus interest over a period of 20 years to be used solely for the monthly repayment of principal and interest owing on the mortgage loan from Ontario Infrastructure and Lands Corporation (Note 7(a)).

(d) Party advancing forgivable loan: Affordable Housing Program - City of Toronto

Forgivable loan advanced	$1,911,400
Property	40 Oak Street
Security for forgivable loan	Leasehold mortgage 40 Oak Street
Interest rate	4%
Term of forgiveness	20 years

(e) Party advancing forgivable loan: Affordable Housing Program - Toronto Community Housing Corporation (TCHC)

Forgivable loan advanced	$1,197,345
Property	40 Oak Street
Security for forgivable loan	Leasehold mortgage 40 Oak Street
Interest rate	8%
Term of forgiveness	20 years

(f) Party advancing forgivable loan: The United Church of Canada (UCC)

Forgivable loan advanced	$100,000
Property	40 Oak Street
Security for forgivable loan	unsecured
Interest rate	not applicable
Term of forgiveness	no term

Note 6 Deferred Contributions Related to Capital Assets - continued

	2015			
Forgivable loans	Balance, beginning of year	Advances in year	Amortization in year	Balance, end of year
501 Logan Avenue				
CMHC	$ 20,805	$ 0	$ (10,404)	$ 10,401
40 Oak Street				
AHP - Federal	3,339,250	0	(90,250)	3,249,000
AHP - Provincial	2,294,000	0	(62,000)	2,232,000
AHP - City of Toronto	1,768,045	0	(47,785)	1,720,260
AHP - TCHC	1,107,543	0	(29,934)	1,077,609
UCC	92,500	0	(2,500)	90,000
Total forgivable loans	8,622,143	0	(242,873)	8,379,270
Deferred contributions				
501 Logan Avenue	53,958	0	(11,621)	42,337
40 Oak Street	3,163,032	54,290	(90,915)	3,126,407
Total	11,839,133	54,290	(345,409)	11,548,014

Note 7 Mortgages and Loans Payable

(a) 40 Oak Street - First Mortgage - Ontario Infrastructure and Lands Corporation (OILC)

Mortgage payable to Ontario Infrastructure and Lands Corporation (OILC):

Details of the mortgage are as follows:

Principal balance	- $6,390,910
Secured by	- Leasehold mortgage 40 Oak Street
Interest rate	- 4.270%
Term	- 10 years ending September 4, 2022
Amortization period	- 27 years and 10 months ending July 4, 2040
Monthly principal and interest payments	- $32,635

Note 7 **Mortgages and Loans Payable - continued**

(b) 40 Oak Street - Loan - Toronto United Church Council (TUCC)

Loan payable to Toronto United Church Council (TUCC). Details of the loan are as follows:

Principal balance	- $418,794
Interest rate	- 4.000%
Term	- 3 years ending November 1, 2017
Amortization period	- 22 years ending November 1, 2036
Monthly principal and interest payments	- $2,380

(c) 40 Oak Street - Loan - The United Church of Canada (UCC)

Loan payable to The United Church of Canada (UCC). Details of the loan are as follows:

Principal balance	- $150,000
Interest rate	- 3.000%
Term and amortization period	- 10 years ending October 18, 2019
Monthly principal and interest payments	- $1,448

Long-term debt balances are as follows:

				2015
	Opening balance	Principal repaid current year	Change in current portion	Closing balance
Mortgage payable to OILC	$ 5,969,682	$ (127,710)	$ (3,250)	$ 5,838,722
Loan payable to TUCC	328,625	(16,056)	(662)	311,907
Loan payable to UCC	62,251	(15,275)	(381)	46,595
	6,360,558	(159,041)	(4,293)	6,197,224

Principal payments due in the next five years are approximately as follows:

	2016	2017	2018	2019	2020
Mortgage payable to OILC	$ 139,065	$ 145,121	$ 151,440	$ 158,035	$ 164,917
Loan payable to TUCC	15,815	16,491	17,157	17,850	18,542
Loan payable to UCC	15,736	16,212	16,702	13,680	0
	170,616	177,824	185,299	189,565	183,459

Note 8 Contingencies

The Corporation has a number of contingencies as follows:

Former Employee Claim

In 2014, a former employee filed a claim against the Corporation and others for an amount of $835,000 plus costs in connection with a long term disability claim. The Corporation does not believe it is liable. The Corporation's insurance company confirmed that it will be defending the Corporation in this matter. Neither the outcome nor the amount of potential settlement, if any, can be foreseen at this time. No provision was made in these financial statements.

Accidental Death Claim

In 2014, a vehicle owned and operated by the Corporation was involved in an accident resulting in the death of a pedestrian. The Corporation's insurance company has confirmed that it will be defending it in this matter. Neither the outcome nor the amount of potential settlement, if any, can be foreseen at this time. No provision was made in these financial statements.

City of Toronto

The Corporation receives subsidies based on formulae contained in the Contribution Agreement. Subsidies are adjusted at year-end for variances between actual and estimated amounts. The difference is receivable from (or payable to) the City of Toronto. The current year receivable is subject to adjustment.

All fiscal years up to and including the period ended December 31, 2012 have been reconciled by the City of Toronto.

Note 9 Logan Sale and Leaseback Agreement

During the year ended December 31, 2007, the Corporation entered into an agreement with TUCC whereby the Corporation sold its rental property at 501 Logan Avenue, Toronto to TUCC for $1 and leased back the property. Under the agreement, TUCC forgave a mortgage loan of $95,000 plus accrued interest and agreed to pay $50,000 per year for the next seven years. In 2010, the Corporation and TUCC, mutually agreed to amend the agreement to reduce the amount to $30,000 per year over the next 5 years. The final payment was received in 2015.

Note 10 Prior Period Adjustments

The financial statements presented for the prior year have been restated for the following reasons. The HST rebate receivable was under-accrued by $41,858 in 2014. This misstatement was corrected retroactively and the figures as at and for the year ended December 31, 2014 were restated as follows:

	Balance As Previously Reported	Adjustments	Balance As Restated
Statement of Financial Position			
Accounts receivable	$ 200,157	$ 41,858	$ 242,015
Net assets	1,158,555	41,858	1,200,413
Statement of Operations			
Expenses	2,202,868	(41,858)	2,161,010

Note 11 Classification

The prior year figures have been reclassified, where necessary, to conform to the current year's presentation. Surplus for the previous year is not affected by the reclassification.

Note 12 Subsequent Event - Social Enterprise Hub Lease

The Corporation is committed under an operating lease for office space on behalf of the Social Enterprise Hub Program. The term of the lease is March 1, 2013 to June 30, 2018. Minimum payments under the lease are $11,250 per annum. As a condition of the lease, the Corporation was granted an inducement of $50,000 which was being amortized to operations over the initial lease period plus one renewal period for a total of 10 years. After year-end the Corporation decided to vacate the space on wind-up of an existing social enterprise. Leasehold improvements, net of the inducement have therefore been expensed in 2015.