Financial Statements

Toronto Christian Resource Centre

Toronto, Ontario

December 31, 2016

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, 2016 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, 2016 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
April 19, 2017

Prentice Yates & Clark

Chartered Professional Accountants, Licensed Public Accountants

Toronto Christian Resource Centre

December 31, 2016

Statement of Financial Position

		2016		2015
Current Assets				
Cash, Note 4	$	63,669	$	99,201
Temporary investments, Note 4		551,045		708,210
Accounts receivable		274,014		243,943
Due from City of Toronto, Note 8		0		8,038
Current portion of AHP forgivable loan receivable		94,782		90,791
Deposits and prepaid expenses		19,530		17,787
Total Current		1,003,040		1,167,970
Long-Term Portion of AHP Forgivable Loan Receivable, Note 6		2,026,227		2,120,684
Capital Assets, Note 5		15,410,631		15,876,085
Capital Replacement Fund, Notes 3 and 4				
Externally restricted		175,358		134,909
Internally restricted		142,095		120,000
		18,757,351		19,419,648

Approved by The Board

William Dines

Director

Andrew Gray

Director

Toronto Christian Resource Centre

December 31, 2016

Statement of Financial Position

		2016		2015
Current Liabilities				
Accounts payable and accrued liabilities	$	193,362	$	160,575
Due to the City of Toronto, Note 8		4,337		0
Tenants' deposits and prepaid rent		25,175		16,801
Deferred operating revenue		155,528		222,963
Current portion of long-term liabilities		177,824		170,616
Total Current		556,226		570,955
Long-Term Liabilities, Note 7				
First mortgage		5,693,601		5,838,722
Toronto United Church Council loan		295,416		311,907
United Church of Canada loan		30,383		46,595
		6,019,400		6,197,224
Deferred Contributions Related to Capital Assets, Note 6		11,197,176		11,548,014
Total Liabilities		17,772,802		18,316,193
Net Assets, per statement				
Capital Replacement Reserve				
Externally restricted		175,358		134,909
Internally restricted		142,095		120,000
Unrestricted accumulated surplus		667,096		848,546
		984,549		1,103,455
		18,757,351		19,419,648

The notes on pages 10 through 19 form an integral part of these financial statements.

Statement of Changes in Net Assets

	Capital Replacement Reserve			2016	2015
	Externally Restricted	Internally Restricted	Unrestricted	Total	Total
Balance, beginning of year	$ 134,909	$ 120,000	$ 848,546	$ 1,103,455	$ 1,200,413
Add (deduct)					
Deficit	0	0	(118,906)	(118,906)	(96,958)
Interfund transfers	40,449	22,095	(62,544)	0	0
Balance, End of Year	175,358	142,095	667,096	984,549	1,103,455

Statement of Operations

		2016		2015
Revenues				
Government grants	$	826,820	$	840,702
Foundation grants		367,787		565,436
Faith community funding		70,226		86,678
Donations - individual		138,723		164,379
Donations - corporate		71,222		172,402
Sponsorship and marketing revenue		178,000		6,567
In kind donations		486		2,347
Rental income (includes rent supplement revenue of $126,257, 2015 - $121,228)		736,523		711,892
Events		138,573		0
Fee income		13,425		5,705
Investment income		29,047		9,805
Other revenue		47,187		17,037
Total Revenues		2,618,019		2,582,950
Expenses				
Salaries		1,063,036		881,317
Benefits		140,499		118,135
Other staff costs		24,503		29,185
Program costs		137,191		188,100
Office		161,467		172,246
Building occupancy		744,384		815,224
Events		51,600		10,505
Interest on long term debt		266,402		279,026
Bank and financing charges		6,816		4,837
Total Expenses		2,595,898		2,498,575
Surplus Before Amortization		22,121		84,375
Amortization of capital contributions, Note 6		350,838		345,409
Amortization of capital assets, Note 5		(491,865)		(495,270)
Leasehold improvements written off		0		(31,471)
Deficit		(118,906)		(96,957)

Toronto Christian Resource Centre

Year ended December 31, 2016

Statement of Cash Flows

		2016		2015
Operating Activities				
Deficit	$	(118,906)	$	(96,958)
Items not affecting cash:				
Amortization of deferred contributions		(350,838)		(345,409)
Amortization of capital assets		491,865		495,270
Loss on disposition of leaseholds		0		31,471
		22,121		84,374
Changes in non-cash working capital				
Funds in trust		0		115,503
Accounts receivable		(22,033)		(37,717)
Prepaid expenses		(1,743)		9,964
Accounts payable		45,498		(220,384)
Deferred operating revenue		(67,435)		25,867
Endowment		0		(8,550)
Cash Used in Operating Activities		(23,592)		(30,943)
Investing Activities				
Amounts received from TUCC		0		30,000
HST rebate applied to capital assets		0		94,252
Purchase of capital assets		(26,411)		(67,104)
Decrease (increase) in investments		94,621		(167,268)
Cash Provided by (Used in) Investing Activities		68,210		(110,120)
Financing Activities				
Increase in deferred contributions related to capital assets		0		54,290
Loan principal repaid		(170,616)		(159,041)
AHP forgivable loan received		90,466		84,400
Cash Used in Financing Activities		(80,150)		(20,351)
Net cash decrease during the year		(35,532)		(161,414)
Cash position beginning of year		99,201		260,615
Cash Position End of Year		63,669		99,201

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. 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.

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, 2016:

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.

Note 2 Financial Instruments - continued

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates. 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:

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 average rate of return earned on guaranteed investment certificates during the year was 0.9% (2015, 1.0%).

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, $22,095 in investment income was earned and allocated to this fund from unrestricted accumulated surplus.

Note 4 Cash, Investments and Reserve Funds

		2016		2015
Cash				
Petty cash	$	2,450	$	2,100
Operating current accounts		61,219		97,101
		63,669		99,201
Temporary Investments				
Guaranteed investment certificates		551,045		708,210
PH&N mutual funds		317,453		254,909
		868,498		963,119
		932,167		1,062,320
Composed of:				
Cash		63,669		99,201
Temporary investments		551,045		708,210
Externally restricted capital replacement funds, Note 3		175,358		134,909
Internally restricted fund		142,095		120,000
		932,167		1,062,320

A guaranteed investment certificate, valued at $11,004, is being held as collateral against credit card balances.

Note 5 Capital Assets

		Cost		Accumulated Amortization		2016 Net		2015 Net
Leasehold interest								
40 Oak Street	$	17,533,788	$	(2,233,385)	$	15,300,403	$	15,749,998
501 Logan Avenue		219,752		(189,398)		30,354		52,329
		17,753,540		(2,422,783)		15,330,757		15,802,327
Vehicle		23,568		(23,568)		0		0
Equipment		127,887		(48,013)		79,874		73,758
		17,904,995		(2,494,364)		15,410,631		15,876,085

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. The lease expired subsequent to year-end and the Corporation is now renting the premises on a month to month basis.

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

Note 6 Deferred Contributions Related to Capital Assets - continued

(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

(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

Note 6 Deferred Contributions Related to Capital Assets - continued

(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

	2015		2016
Forgivable loans	Balance, beginning of year	Amortization	Balance, end of year
501 Logan Avenue			
CMHC	$ 10,401	$ (10,401)	$ 0
40 Oak Street			
AHP - Federal	3,249,000	(90,250)	3,158,750
AHP - Provincial	2,232,000	(62,000)	2,170,000
AHP - City of Toronto	1,720,260	(47,785)	1,672,475
AHP - TCHC	1,077,609	(29,934)	1,047,675
UCC	90,000	(2,500)	87,500
Total forgivable loans	8,379,270	(242,870)	8,136,400
Deferred contributions			
501 Logan Avenue	42,337	(11,622)	30,715
40 Oak Street	3,126,407	(96,346)	3,030,061
Total	11,548,014	(350,838)	11,197,176

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:

	Opening balance	Principal repaid current year	Change in current portion	2016 Closing balance
Mortgage payable to OILC	$ 5,838,722	$ (139,065)	$ (6,056)	$ 5,693,601
Loan payable to TUCC	311,907	(15,815)	(676)	295,416
Loan payable to UCC	46,595	(15,736)	(476)	30,383
	6,197,224	(170,616)	(7,208)	6,019,400

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

	2017	2018	2019	2020	2021
Loan payable to TUCC	$ 16,491	$ 17,157	$ 17,850	$ 18,542	$ 19,320
Loan payable to UCC	16,212	16,702	13,684	0	0
Mortgage payable to OILC	145,121	151,440	158,035	164,917	172,098
	177,824	185,299	189,569	183,459	191,418

Note 8 Due to the 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 payable is subject to possible adjustment.

All fiscal years up to and including the period ended December 31, 2015 have been reconciled by the City of Toronto.