Financial Statements

Toronto Christian Resource Centre

Toronto, Ontario

March 31, 2018

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 March 31, 2018 and the statements of changes in net assets, operations and cash flows for the fifteen month period 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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PRENTICE YATES & CLARK

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 March 31, 2018 and the results of its operations and its cash flows for the fifteen month period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information - Corresponding Figures

The Board of Directors approved a change in the fiscal year-end from December 31 to March 31, effective March 31, 2018. The comparative figures reflect the financial position of Toronto Christian Resource Centre as at December 31, 2016 and the results of operations and cash flows for the year then ended.

Toronto, Ontario
June 28, 2018

Prentice Yates & Clark

Chartered Professional Accountants, Licensed Public Accountants

Statement of Financial Position

		March 31, 2018		December 31, 2016
				Note 9
Current Assets				
Cash and cash equivalents, Note 4	$	603,880	$	614,714
Accounts receivable		234,292		274,014
Current portion of AHP forgivable loan receivable		100,019		94,782
Deposits and prepaid expenses		17,903		19,530
Total Current		956,094		1,003,040
Long-Term Portion of AHP Forgivable Loan Receivable, Note 6		1,902,286		2,026,227
Capital Assets, Note 5		14,819,899		15,410,631
Capital Replacement Fund, Notes 3 and 4				
Externally restricted		227,043		175,358
Internally restricted		158,458		142,095
		18,063,780		18,757,351

Approved by The Board

William Dines

Director

Andrew Gray

Director

Statement of Financial Position

	March 31, 2018	December 31, 2016
		Note 9
Current Liabilities		
Accounts payable and accrued liabilities	$ 195,606	$ 193,360
Due to the City of Toronto, Note 8	8,134	4,337
Tenants' deposits and prepaid rent	24,842	25,175
Deferred operating revenue	216,468	155,528
Current portion of long-term liabilities	180,717	177,824
Total Current	625,767	556,224
Long-Term Liabilities, Note 7		
First mortgage	5,503,280	5,693,600
Toronto United Church Council loan	282,434	295,416
United Church of Canada loan	9,430	30,386
	5,795,144	6,019,402
Deferred Contributions Related to Capital Assets, Note 6	10,803,966	11,197,176
Total Liabilities	17,224,877	17,772,802
Net Assets, per statement		
Capital Replacement Reserve		
Externally restricted	227,043	175,358
Internally restricted	158,458	142,095
Unrestricted accumulated surplus	453,402	667,096
	838,903	984,549
	18,063,780	18,757,351

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

Statement of Changes in Net Assets

	Capital Replacement Reserve			15 months ended March 31, 2018	Year ended December 31, 2016
	Externally Restricted	Internally Restricted	Unrestricted	Total	Total
					Note 9
Balance, beginning of year	$ 175,358	$ 142,095	$ 667,096	$ 984,549	$ 1,103,455
Add (deduct)					
Deficit	0	0	(145,646)	(145,646)	(118,906)
Interfund transfers	51,685	16,363	(68,048)	0	0
Balance, End of Year	227,043	158,458	453,402	838,903	984,549

Statement of Operations

	15 months ended March 31, 2018	Year ended December 31, 2016
		Note 9
Revenues		
Government grants	$ 1,028,979	$ 826,820
Foundation grants	504,856	367,787
Faith community funding	131,862	70,226
Donations - individual	254,291	138,723
Donations - corporate	147,646	71,222
Sponsorship and marketing revenue	0	178,000
In kind donations	2,557	486
Rental income (includes rent supplement revenue of $163,271, 2016 - $126,257)	1,006,293	736,523
Events	26,941	138,573
Fee income	17,618	13,425
Investment income	25,358	29,047
Other revenue	11,477	47,187
Total Revenues	3,157,878	2,618,019
Expenses		
Salaries	1,363,270	1,063,036
Benefits	197,335	140,499
Other staff costs	41,869	24,503
Program costs	150,323	137,191
Office	122,079	161,467
Building occupancy	921,218	744,384
Events	8,067	51,600
Interest on long term debt	322,777	266,402
Bank and financing charges	5,683	6,816
Total Expenses	3,132,621	2,595,898
Surplus Before Amortization	25,257	22,121
Amortization of capital contributions, Note 6	419,829	350,838
Amortization of capital assets, Note 5	(590,732)	(491,865)
Deficit	(145,646)	(118,906)

Statement of Cash Flows

	15 months ended March 31, 2018	Year ended December 31, 2016
		Note 9
Operating Activities		
Deficit	$ (145,646)	$ (118,906)
Items not affecting cash:		
Amortization of deferred contributions	(419,829)	(350,838)
Amortization of capital assets	590,732	491,865
	25,257	22,121
Changes in non-cash working capital		
Accounts receivable	39,722	(22,033)
Prepaid expenses	1,627	(1,743)
Accounts payable	5,710	45,498
Deferred operating revenue	60,940	(67,435)
Cash Provided by (Used in) Operating Activities	133,256	(23,592)
Investing Activities		
Purchase of capital assets	0	(26,411)
Increase in investments	(68,048)	(62,544)
Cash Used in Investing Activities	(68,048)	(88,955)
Financing Activities		
Increase in deferred contributions related to capital assets	26,619	0
Loan principal repaid	(221,365)	(170,616)
AHP forgivable loan received	118,704	90,466
Cash Used in Financing Activities	(76,042)	(80,150)
Net cash decrease during the year	(10,834)	(192,697)
Cash and cash equivalents beginning of year	614,714	807,411
Cash and Cash Equivalents End of Year	603,880	614,714

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.

Cash and Cash Equivalents

The Corporation's policy is to present bank balances and term deposits as cash and cash equivalents.

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 except for equity instruments traded in an active market which are recorded at fair value. 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 March 31, 2018:

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.

Interest rates earned on guaranteed investment certificates vary between 0.9% and 1.2% per annum at March 31, 2018.

The mortgages and loans bear fixed interest rates.

Note 3 **Reserves**

<u>Capital Replacement Fund - externally restricted</u>

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.

<u>Capital Replacement Fund - internally restricted</u>

In 2014 the Board of Directors established an internally restricted fund in addition to the externally restricted capital replacement fund. During the period, $16,363 in investment income was earned and allocated to this fund from unrestricted accumulated surplus.

Note 4 Cash, Investments and Reserve Funds

		March 31, 2018		December 31, 2016
				Note 9
Cash and cash equivalents				
Petty cash	$	2,450	$	2,450
Operating current accounts		147,140		61,219
Term deposits		454,290		551,045
		603,880		614,714
Temporary Investments				
PH&N mutual funds		385,501		317,453
		989,381		932,167
Composed of:				
Cash and cash equivalents		603,880		614,714
Externally restricted capital replacement funds, Note 3		227,043		175,358
Internally restricted fund		158,458		142,095
		989,381		932,167

A guaranteed investment certificate, valued at $11,040, is being held as collateral against credit card balances.

Note 5 Capital Assets

		Cost		Accumulated Amortization		March 31, 2018 Net		December 31, 2016 Net
								Note 9
Leasehold interest								
40 Oak Street	$	17,533,788	$	(2,795,378)	$	14,738,410	$	15,300,403
501 Logan Avenue		219,752		(194,819)		24,933		30,354
		17,753,540		(2,990,197)		14,763,343		15,330,757
Vehicle		23,568		(23,568)		0		0
Equipment		127,887		(71,331)		56,556		79,874
		17,904,995		(3,085,096)		14,819,899		15,410,631

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

				March 31, 2018
				Note 9
Forgivable loans	Balance, beginning of period	Advances in period	Amortization	Balance, end of period
40 Oak Street				
AHP - Federal	$ 3,158,750	$ 0	$ (112,813)	$ 3,045,937
AHP - Provincial	2,170,000	0	(77,500)	2,092,500
AHP - City of Toronto	1,672,475	0	(59,731)	1,612,744
AHP - TCHC	1,047,675	0	(37,417)	1,010,258
UCC	87,500	0	(3,125)	84,375
Total forgivable loans	8,136,400	0	(290,586)	7,845,814
Deferred contributions				
501 Logan Avenue	30,715	0	(5,484)	25,231
40 Oak Street	3,030,061	26,619	(123,759)	2,932,921
Total	11,197,176	26,619	(419,829)	10,803,966

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, 2020
Amortization period	- 22 years ending November 1, 2036
Monthly principal and interest payments	- $1,856

(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 period	Change in current portion	March 31, 2018 Closing balance
				Note 9
Mortgage payable to OILC	$ 5,693,600	$ (182,378)	$ (7,942)	$ 5,503,280
Loan payable to TUCC	295,416	(20,756)	7,774	282,434
Loan payable to UCC	30,386	(20,341)	(615)	9,430
	6,019,402	(223,475)	(783)	5,795,144

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

	2019	2020	2021	2022	2023
Mortgage payable to OILC	$ 153,063	$ 159,728	$ 166,684	$ 173,942	$ 181,516
Loan payable to TUCC	10,827	11,234	11,718	12,191	12,684
Loan payable to UCC	16,827	9,426	0	0	0
	180,717	180,388	178,402	186,133	194,200

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, 2016 have been reconciled by the City of Toronto.

Note 9 **Fiscal Year-End**

The Board of Directors approved a change in the fiscal-year end from December 31 to March 31, effective March 31, 2018. This change was implemented to reflect the Corporation's funding cycles. The comparative figures reflect the financial position as at December 31, 2016 and the results of its operations and its cash flows for the year then ended.