Financial Statements

Toronto Christian Resource Centre

Toronto, Ontario

December 31, 2011

Contents

PRENTICE
YATES &
CLARK
CHARTERED
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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, 2011, 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 generally accepted accounting principles, 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.

continued...

C.A. PETRALITO, B.A., C.A.
L.K. TURNER, B.A., C.A.
T.W. McGIVNEY, C.A.
J.J. PAUZE, B.Acc., C.A.

Professional Corporations

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, surplus, 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of Toronto Christian Resource Centre for the year ended December 31, 2010 were audited by another auditor who expressed a modified opinion on those statements due to scope measurement of donations revenue on June 28, 2011.

Toronto, Ontario
June 15, 2012

Prentice Yates & Clark

Chartered Accountants Licensed Public Accountants

Toronto Christian Resource Centre

December 31, 2011

Statement of Financial Position

		2011		2010 Note 15
Current Assets				
Cash and temporary investments, Note 5	$	794,065	$	1,478,432
Accounts receivable				
Current portion of amounts due from TUCC, Note 12		30,000		30,000
Grants receivable		164,369		199,826
Prepaid expenses		12,949		3,310
Total Current		1,001,383		1,711,568
Long-Term Portion of Amounts due from TUCC, Note 12		90,000		120,000
Capital Assets, Note 6		15,632,295		5,194,472
Restricted Cash and Investments, Note 5		80,000		100,000
		16,803,678		7,126,040

Approved by The Board

Greig Clark
Director

Pat Furgiuele
Director

Statement of Financial Position

		2011		2010
				Note 15
Current Liabilities				
Accounts payable and accrued liabilities	$	48,998	$	24,703
Capital accounts payable and accrued liabilities		2,362,893		584,458
Deferred operating revenue, Note 13		17,028		95,302
Current portion of long term debt		23,440		0
Total Current		2,452,359		704,463
Long-Term Liabilities				
First mortgage, Note 8		3,020,681		0
Toronto United Church Council loan, Note 9		439,160		0
United Church of Canada loan, Note 10		136,573		0
		3,596,414		0
Deferred Contributions Related to Capital Assets, Note 7		10,104,759		5,797,754
Total Liabilities		16,153,532		6,502,217
Contingencies, Note 11				
Net Assets, per statement				
Restricted				
Internally Restricted Resources		80,000		100,000
Unrestricted				
Unrestricted Resources		570,146		523,823
		650,146		623,823
		16,803,678		7,126,040

The notes on pages 10 through 21 form an integral part of these financial statements.

Statement of Changes in Net Assets

	Internally Restricted Resources	Unrestricted Resources	2011 Total	2010 Total Note 15
Balance, beginning of year	$ 100,000	$ 523,823	$ 623,823	$ 490,557
Add (deduct)				
Surplus	0	26,323	26,323	133,266
Transfer to unrestricted, Note 4	(20,000)	20,000	0	0
Balance, End of Year	80,000	570,146	650,146	623,823

Statement of Operations

	2011	2010
		Note 15
Revenues		
Operating grants, Note 13	$ 456,935	$ 367,866
Donations	213,533	262,317
United Church of Canada contributions, Note 14	121,788	88,698
Fees for service	58,707	63,433
Rent	49,365	46,208
Investment income	637	0
Amortization of capital contributions, Note 7(a)	7,235	7,235
Amortization of loan forgiveness, Note 7(b)	10,404	10,404
Total Revenues	918,604	846,161
Expenses		
Salaries and benefits	630,906	479,583
Direct program expenses	61,882	68,631
Building occupancy	52,729	41,036
Amortization	19,366	18,954
Fundraising and promotion	18,837	21,262
Office and supplies	56,170	36,834
Professional fees	40,600	34,565
Travel and van operations	11,791	12,030
Total Expenses	892,281	712,895
Surplus	26,323	133,266

Statement of Cash Flows

		2011		2010
				Note 15
Operating Activities				
Surplus	$	26,323	$	133,266
Items not affecting cash:				
Amortization		19,366		18,954
Amortization of capital contributions		(7,235)		(7,235)
Amortization of loan forgiveness		(10,404)		(10,404)
		28,050		134,581
Changes in non-cash working capital				
Accounts receivable		35,457		(181,736)
Prepaid expenses		(9,639)		(2,681)
Accounts payable		24,295		150,110
Deferred operating revenue		(78,274)		(25,539)
Cash Provided By (Used In) Operating Activities		(111)		74,735
Investing Activities				
Amounts due from TUCC		30,000		50,000
Purchase of capital assets		(8,678,754)		(3,672,181)
Cash Used In Investing Activities		(8,648,754)		(3,622,181)
Financing Activities				
Increase in deferred contributions related to capital assets		4,324,644		4,548,009
Increase in first mortgage		3,020,681		0
Increase in TUCC loan		449,173		0
Increase in UCC loan		150,000		0
Allocation from general reserve		0		20,000
Cash Provided By Financing Activities		7,944,498		4,568,009
Net cash increase (decrease) during the year		(704,367)		1,020,563
Cash position beginning of year		1,578,432		557,869
Cash Position End Of Year		874,065		1,578,432
Supplementary Information				
Interest paid on mortgage	$	1,646	$	0

Notes to Financial Statements

Status and Nature of Activities

The Corporation is an incorporated mission under the jurisdiction of the United Church of Canada. It 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 supervised and administered several charitable programs in the Regent Park Community, Toronto.

Note 1 Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with in accordance with CICA Handbook Part V Pre-changeover accounting standards.

Fund Accounting

The accounts of the Corporation are maintained in accordance with the principles of deferred fund accounting in order to ensure observance of limitations and restrictions placed on the use of resources available to the Corporation. The Corporation operates with three types of restrictions on its resources:

(a) unrestricted resources that can be used for any purpose that are consistent with the objectives of the Corporation;
(b) internally restricted resources that can be used only for the purposes specified by the Board of Directors;
(c) externally restricted resources that can be used only for the purposes specified by the contributors of the resources of the funds. The Corporation receives program specific grants. The unexpended portion of these grants is recorded as deferred program revenue.

Amortization

Capital assets and leasehold improvements are recorded at cost. Amortization of capital assets and leasehold improvements is provided over the estimated useful lives of the respective assets. No amortization is recorded on leasehold improvements during the period of development. Amortization of the building at 40 Oak Street will commence with the commencement of operations at that location January 1, 2012. Amortization rates are as follows:

Vehicles	30% per annum straight line
Equipment	20% per annum straight line
Leasehold improvements:	
Logan property	10% per annum straight line
Oak Street property	under development

Note 1 **Significant Accounting Policies - continued**

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.

Donated Materials and Services

The value of donated materials and services is not recorded.

Revenue Recognition

Restricted operating contributions are deferred and recognized as revenue in the same period as the related expenses are recognized, in accordance with the deferred method of accounting for contributions.

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

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

Restricted 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.

Use of Estimates

The preparation of financial statements requires the 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 **Recent Accounting Pronouncement**

New accounting standards for non-profit organizations are effective with years beginning on or after January 1, 2012. The Corporation plans to implement these new standards. The Corporation is working to determine what impact, if any, the initial adoption of these standards will have on its financial statements. Significant changes are not anticipated.

Note 3 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, 2011:

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.

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:

(i) 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 term deposits as the means for managing its interest rate risk.

The mortgage and loans bear fixed interest rates.

(ii) Foreign Currency Risk

The Corporation's functional currency is the Canadian dollar. The Corporation does not engage in any activities in foreign currency and as a result it is the opinion of the Board of Directors that the Corporation is not exposed to significant foreign currency risk.

(iii) Commodity Price Risk

The Corporation is subject to normal price risk associated with consumer products.

Note 3 Financial Instruments - continued

Fair Values

The fair values of cash, accounts receivable, accounts payable and deferred operating revenue are approximately equal to their carrying value due to their short term nature.

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on market interest rates for loans with similar conditions and maturities. The carrying value approximates its fair value.

Note 4 General Reserve

During the year ended December 31, 2010, the Board of Directors established a general reserve of $100,000 from unrestricted resources. During each of the following five years, beginning January 1, 2011, an amount of $20,000 is to be allocated from the reserve to unrestricted resources. The reserve is to be funded by guaranteed investment certificates. During the year ended December 31, 2011, $20,000 was allocated from the general reserve to unrestricted resources.

Note 5 Cash, Investments and Reserve Funds

	2011	2010
Cash		
Petty cash	$ 3,865	$ 7,805
Operating current accounts	816,353	1,549,548
Temporary Investments		
Guaranteed investment certificate	53,847	21,079
	874,065	1,578,432
Composed of:		
Internally restricted cash and investments	80,000	100,000
Unrestricted cash and temporary investments	794,065	1,478,432
	874,065	1,578,432

The guaranteed investment certificate is being held as collateral for a letter of credit issued to the City of Toronto.

Note 6 Capital Assets

At cost	2011	2010
40 Oak Street - leasehold interest	$ 15,534,921	$ 5,085,712
Accumulated amortization	0	0
	15,534,921	5,085,712
501 Logan Avenue - leasehold interest	176,389	176,389
Accumulated amortization	(88,195)	(70,556)
	88,194	105,833
Vehicle	3,000	3,000
Vehicle - accumulated amortization	(1,800)	(900)
	1,200	2,100
Equipment	7,980	143,322
Equipment - accumulated amortization	0	(142,495)
	7,980	827
	15,632,295	5,194,472

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, under a net/net lease, for a 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 7 Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets consist of the following:

		2011		2010
501 Logan Avenue				
Deferred contributions, (a)	$	36,177	$	43,412
CMHC forgivable loan, (b)		52,017		62,421
40 Oak Street				
Deferred contributions, (c)		3,351,568		3,099,025
Affordable Housing Project federal contribution, Note 11		3,610,000		2,193,555
United Church of Canada, Note 11		100,000		100,000
City of Toronto contribution, Note 11		1,757,652		0
Toronto Community Housing Corporation (TCHC) contribution, Note 11		1,197,345		299,341
		10,104,759		5,797,754

(a) 501 Logan - Deferred Contributions Related to Capital Assets

The Corporation received a capital grant of $72,350 to pay for the renovations at 501 Logan Avenue. The grant is being amortized over a ten year period starting from January 1, 2007 on the same basis that the renovations are being amortized. Balance of the grant at year-end is as follows:

		2011		2010
Balance beginning of the year	$	43,412	$	50,647
Amortization for the year		(7,235)		(7,235)
Balance end of the year		36,177		43,412

(b) 501 Logan - CMHC Forgivable Loan

The Corporation received a forgivable loan of $104,037 from Canada Mortgage Housing Corporation (CMHC) to pay for the renovations at 501 Logan Avenue. The principal and interest of the loan are forgivable on a straight-line basis over a ten year period starting from January 1, 2007 on the same basis that the renovations are being amortized. Under the terms of the loan the Corporation is required to rent to tenants with incomes below the income thresholds established by CMHC. Balance of the forgivable loan at year-end is as follows:

		2011		2010
Balance beginning of the year	$	62,421	$	72,825
Amortization for the year		(10,404)		(10,404)
Balance end of the year		52,017		62,421

Note 7 **Deferred Contributions Related to Capital Assets - continued**

(c) 40 Oak Street Deferred Capital Contributions

Contributions from United Church and other fundraising activities for the redevelopment of 40 Oak Street are recorded as deferred contributions related to leasehold improvements. The details of the deferred contributions is as follows:

	2011	2010
Balance beginning of the year	$ 3,099,025	$ 1,043,911
Contributions received during the year		
Fairlawn Avenue United Church	6,498	838,000
Rosedale United Church	21,006	458,500
Deer Park United Church	0	500,000
United Church of Canada	150,000	0
Steve Rogers Family	0	100,000
Greig Clark Family	0	100,000
Ralph Hicks	50,000	0
Other - Hope Chest	25,039	58,614
	252,543	2,055,114
Balance end of the year	3,351,568	3,099,025

Note 8 **40 Oak Street - First Mortgage - Ontario Infrastructure Projects Corporation (OIPC)**

The loan, secured by a leasehold mortgage, is held by Ontario Infrastructure Projects Corporation. Interest on the mortgage is floating prior to repayment of the loan. The mortgage has not commenced repayment yet.

Details of the mortgage at December 31 are:

Principal balance, as approved	- $6,390,910
Repayable balance, as approved	- $3,910,910
Interest rate	- floating
Term	- to be determined
Amortization period	- to be determined
Monthly principal and interest payments	- to be determined

The status of the mortgage is as follows:

	2011	2010
Advances received	$ 3,020,681	$ 0

Note 9 40 Oak Street - Toronto United Church Council (TUCC) Loan

The loan is held by Toronto United Church Council. Details of the loan at December 31 are:

Principal balance	- $450,000
Interest rate	- 4.390%
Term	- 3 years ending December 1, 2014
Amortization period	- 25 years ending December 1, 2026
Monthly principal and interest payments	- $2,473

The status of the loan is as follows:

	2011	2010
Advances received	$ 450,000	$ 0
Principal repaid	(827)	0
Current portion	(10,013)	0
	439,160	0

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

2012	$ 10,013
2013	10,461
2014	10,930
2015	11,419
2016	11,931

Note 10 40 Oak Street - The United Church of Canada (UCC) Loan

The loan is held by The United Church of Canada. Details of the loan at December 31 are:

Principal balance	- $150,000
Interest rate	- 3.000%
Term and amortization period	- 10 years ending December 1, 2021
Monthly principal and interest payments	- $1,448

The status of the loan is as follows:

	2011	2010
Advances received	$ 150,000	$ 0
Current portion	(13,427)	0
	136,573	0

Note 10 **40 Oak Street - The United Church of Canada (UCC) Loan - continued**

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

2012	$	13,427
2013		13,463
2014		13,872
2015		14,294
2016		14,729

Note 11 **Contingencies**

The Corporation has entered into various contribution agreements related to the redevelopment of 40 Oak Street. The details of the contribution agreements are as follows:

Affordable Housing Project - Federal

The City of Toronto advanced federal funds in the amount of $3,610,000 as a forgiveable loan. The loan is to be secured by a mortgage on the land and building currently under development. The loan shall bear interest at the rate of 4% per annum. However, on each anniversary date, as long as the Corporation is in compliance with the terms of the agreement, the interest so owing and 5% of the initial principal amount shall be forgiven. In the event of default prior to the end of the term of the loan the remaining balance of the principal amount shall be repaid.

Affordable Housing Project - Provincial

The City of Toronto will advance provincial funds in the amount of $2,480,000 plus interest to be used solely for the repayment of the principal and interest owing on a mortgage loan to be entered into with Ontario Infrastructure Projects Corporation. The mortgage loan from OIPC will include approved Provincial Assistance of $2,480,000. Commencing with the first mortgage payment, the City of Toronto will advance an "affordable payment" monthly to be used solely for the repayment of the principal and interest owing on the mortgage loan from OIPC.

City of Toronto

The City of Toronto advanced Mayor's Homeless Initiative Reserve Funds in the amount of $1,410,000 as a forgivable loan as long as the conditions of the contribution agreement are met. The City of Toronto also advanced funds of $347,652 being a distribution of Development Charge Reserve funds apportioned by the City Council to Oak Street redevelopment.

The loan shall bear interest at the rate of 4% per annum. However, on each anniversary date as long as the Corporation is in compliance with the terms of the agreement, the interest so owing and 5% of the initial principal amount shall be forgiven. In the event of default prior to the end of the term of the loan the remaining balance of the principal amount shall be repaid.

Note 11 Contingencies - continued

The United Church of Canada

The United Church of Canada has provided the Corporation with a non-interest bearing loan of $100,000. There is no interest charged on this loan. The loan is to be repaid if the funds are not used for a housing complex and community hub, the housing complex and community hub ceases to operate, or the building is sold, at which time the amount becomes immediately due and payable in full to The United Church of Canada.

Toronto Community Housing Corporation (TCHC)

TCHC advanced $1,197,345 as a forgivable loan. The loan is to be secured by a mortgage on the land and building currently under development. The loan shall bear interest at the rate of 8% per annum. However, on each anniversary date, as long as the Corporation is in compliance with the terms of the contribution agreement, the interest so owing and 4% of the initial principal amount shall be forgiven. In the event of default prior to the end of the term of the loan, the remaining balance of the principal amount shall be repaid.

Note 12 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.

Note 13 Deferred Operating Revenue

	2011	2010
Deferred operating revenue, beginning of the year	$ 95,302	$ 120,841
Toronto United Church Council Grant	0	(6,750)
Restricted donations	0	24,600
Operating revenue received, per schedule	398,661	324,477
	493,963	463,168
Operating grants recognized	(456,935)	(367,866)
Operating donations recognized	(20,000)	0
	17,028	95,302

Note 13 Deferred Operating Revenue - continued

Operating Grants Received consists of:

	2011	2010
Dixon Hall - National Crime Prevention Program	$ 54,636	$ 32,110
City of Toronto - Connect	72,357	72,352
City of Toronto - Drop-in Program	146,880	146,885
City of Toronto - Investing in Neighbourhoods	22,638	14,942
Metcalf Foundation - Food for Thought Project	56,925	0
Patrick & Barbara Keenan Foundation	20,000	20,000
BLG Foundation	2,000	2,000
Dundas & Parliament Development Corp.	0	10,000
Asset Mapping - Ontario Women's Health Network	10,725	10,688
Asset Mapping - Toronto Community Housing	12,500	12,500
Nelson Arthur Hyland Foundation	0	3,000
	398,661	324,477

Note 14 United Church of Canada Operating Contributions

	2011	2010 Note 15
United Church of Canada - Toronto Conference		
Division of Missions	$ 30,000	$ 35,000
Tri-Presbytery & Manse Fund	2,050	4,000
St Enoch's Fund	5,000	4,250
Donations	8,182	0
Regent Park United Church	1,500	0
Rosedale United Church	12,900	10,000
Regent Park United Church	928	12,342
Fairlawn United Church	56,358	7,575
Manor Road United Church	0	8,372
Timothy Eaton Memorial	2,000	500
Other United Churches	2,870	6,659
	121,788	88,698

Note 15 Prior Year Figures

The prior year figures were audited by another auditor. 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 16 Capital Management

The Corporation manages its capital to provide supervision and administration of several charitable programs in the Regent Park Community, Toronto and to provide affordable housing to its tenants while complying with the terms of the agreements with its various funders. It does this primarily through the use of an annual budget approved by Board of Directors and cash flow management.

The Corporation defines its capital to include Unrestricted Resources, and Externally Restricted Resources. The Corporation's funders and donors have imposed a number of conditions by way of funding requirements for the use of these net assets such that it can be expended only under specified circumstances.

Note 17 Contractual Obligations

The Corporation has entered into various commitments related to the construction of 40 Oak Street building for a total of $14,526,462 plus applicable taxes. Only $13,591,841 plus applicable taxes has been recorded in these financial statements.