Financial Statements

Toronto Christian Resource Centre

Toronto, Ontario

March 31, 2019

Contents

PRENTICE YATES & CLARK
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditors' Report

To the Members of Toronto Christian Resource Centre:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Toronto Christian Resource Centre, which comprise the statement of financial position as at March 31, 2019 and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of Toronto Christian Resource Centre as at March 31, 2019, and its results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Corporation derives revenue from donations, the completeness of which is not susceptible of 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, surplus, current assets and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Toronto Christian Resource Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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 March 31, 2018 and the results of operations and cash flows for the 15 month period ended.

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Independent Auditors' Report - continued

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Toronto Christian Resource Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Toronto Christian Resource Centre's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Toronto Christian Resource Centre's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Toronto Christian Resource Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Ontario
June 27, 2019

Prentice Yates & Clark

Chartered Professional Accountants, Licensed Public Accountants

Statement of Financial Position

		2019		2018
Current Assets				
Cash and cash equivalents, Note 4	$	775,106	$	603,880
Accounts receivable		169,297		234,292
Current portion of AHP forgivable loan receivable		104,416		100,019
Deposits and prepaid expenses		19,937		17,903
Total Current		1,068,756		956,094
Long-Term Portion of AHP Forgivable Loan Receivable, Note 6		1,798,229		1,902,286
Capital Assets, Note 5		14,348,299		14,819,899
Capital Replacement Fund, Notes 3 and 4				
Externally restricted		278,637		227,043
Internally restricted		165,313		158,458
		17,659,234		18,063,780

Approved by The Board

Andrew Gray

Director

Bill Dines

Director

Statement of Financial Position

		2019		2018
Current Liabilities				
Accounts payable and accrued liabilities	$	175,492	$	195,606
Due to the City of Toronto, Note 8		21,546		8,134
Tenants' deposits and prepaid rent		40,180		24,842
Deferred operating revenue		198,475		216,468
Current portion of long-term liabilities		180,393		180,717
Total Current		616,086		625,767
Long-Term Liabilities, Note 7				
First mortgage		5,343,552		5,503,280
Toronto United Church Council loan		271,200		282,434
United Church of Canada loan		0		9,430
		5,614,752		5,795,144
Deferred Contributions Related to Capital Assets, Note 6		10,468,098		10,803,966
Total Liabilities		16,698,936		17,224,877
Net Assets, per statement				
Capital Replacement Reserve				
Externally restricted		278,637		227,043
Internally restricted		165,313		158,458
Unrestricted accumulated surplus		516,348		453,402
		960,298		838,903
		17,659,234		18,063,780

The notes on pages 11 through 20 form an integral part of these financial statements.

Statement of Changes in Net Assets

	Capital Replacement Reserve			Year ended 2019	15 months ended 2018
	Externally Restricted	Internally Restricted	Unrestricted	Total	Total
					Note 9
Balance, beginning of year	$ 227,043	$ 158,458	$ 453,402	$ 838,903	$ 984,549
Add (deduct)					
Surplus (deficit)	0	0	121,395	121,395	(145,646)
Interfund transfers	51,594	6,855	(58,449)	0	0
Balance, End of Year	278,637	165,313	516,348	960,298	838,903

Statement of Operations

		Year ended 2019		15 months ended 2018
				Note 9
Revenues				
Government grants	$	858,491	$	1,028,979
Foundation grants		626,526		504,856
Faith community funding		82,835		131,862
Donations - individual		205,613		254,291
Donations - corporate		138,211		147,646
In kind donations		0		2,557
Rental income (includes rent supplement revenue of $136,945, 2018 - $163,271)		762,441		1,006,293
Events		50,784		26,941
Fee income		12,079		17,618
Investment income		25,696		25,358
Other revenue		42,880		11,477
Total Revenues		2,805,556		3,157,878
Expenses				
Salaries		1,145,414		1,363,270
Benefits		147,854		197,335
Other staff costs		33,166		41,869
Program costs		138,060		150,323
Office		98,136		122,079
Building occupancy		721,529		921,218
Events		10,270		8,067
Interest on long term debt		249,967		322,777
Bank and financing charges		4,033		5,683
Total Expenses		2,548,429		3,132,621
Surplus Before Amortization		257,127		25,257
Amortization of capital contributions, Note 6		335,868		419,829
Amortization of capital assets, Note 5		(471,600)		(590,732)
Surplus (Deficit)		121,395		(145,646)

Statement of Cash Flows

	Year ended 2019	15 months ended 2018
		Note 9
Operating Activities		
Surplus (deficit)	$ 121,395	$ (145,646)
Items not affecting cash:		
Amortization of deferred contributions	(335,868)	(419,829)
Amortization of capital assets	471,600	590,732
	257,127	25,257
Changes in non-cash working capital		
Accounts receivable	64,995	39,722
Prepaid expenses	(2,034)	1,627
Accounts payable	8,636	5,710
Deferred operating revenue	(17,993)	60,940
Cash Provided By Operating Activities	310,731	133,256
Investing Activities		
Increase in investments	(58,449)	(68,048)
Cash Used in Investing Activities	(58,449)	(68,048)
Financing Activities		
Increase in deferred contributions related to capital assets	0	26,619
Loan principal repaid	(180,716)	(221,365)
AHP forgivable loan received	99,660	118,704
Cash Used in Financing Activities	(81,056)	(76,042)
Net cash increase (decrease) during the year	171,226	(10,834)
Cash and cash equivalents beginning of year	603,880	614,714
Cash and Cash Equivalents End of Year	775,106	603,880

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, housing, drop-in, food skills, community advocacy, gardening, and community enterprise programs. The Corporation operates two rent geared to income residences in Toronto including 40 Oak Street, a 87 unit complex which opened in 2012, and an East end Toronto, 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 as follows:

Leasehold interests:	
Oak Street property	2.5% per annum straight line
East end Toronto property	10% per annum straight line
Vehicles	30% per annum straight line
Equipment	20% 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, 2019:

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 term deposits and mutal funds.

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

Interest rates earned on term deposits vary between 1.3% and 2.0% per annum at March 31, 2019.

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 period, $6,855 in investment income was earned and allocated to this fund from unrestricted accumulated surplus.

Note 4 Cash, Investments and Reserve Funds

		2019		2018
Cash and cash equivalents				
Petty cash	$	2,450	$	2,450
Operating current accounts		312,110		147,140
Term deposits		460,546		454,290
		775,106		603,880
Temporary Investments				
Encasa mutual funds		443,950		385,501
		1,219,056		989,381
Composed of:				
Cash and cash equivalents		775,106		603,880
Externally restricted capital replacement funds, Note 3		278,637		227,043
Internally restricted fund, Note 3		165,313		158,458
		1,219,056		989,381

A term deposit, valued at $11,132, is being held as collateral against credit card balances.

Note 5 Capital Assets

		Cost		Accumulated Amortization		2019 Net		2018 Net
Leasehold interest								
40 Oak Street	$	17,533,788	$	(3,244,973)	$	14,288,815	$	14,738,410
East end property		219,752		(199,155)		20,597		24,933
		17,753,540		(3,444,128)		14,309,412		14,763,343
Vehicle		23,568		(23,568)		0		0
Equipment		127,887		(89,000)		38,887		56,556
		17,904,995		(3,556,696)		14,348,299		14,819,899

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.

East end Toronto Property

During the year ended December 31, 2007, the Corporation entered into an agreement with TUCC. Under the agreement, the Corporation sold this rental property in 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 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 Corporation (CMHC)

Forgivable loan advanced	$104,037
Property	East end Toronto rooming house
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

	2019			
Forgivable loans	Balance, beginning of period	Advances in period	Amortization	Balance, end of period
40 Oak Street				
AHP - Federal	$ 3,045,937	$ 0	$ (90,250)	$ 2,955,687
AHP - Provincial	2,092,500	0	(62,000)	2,030,500
AHP - City of Toronto	1,612,744	0	(47,785)	1,564,959
AHP - TCHC	1,010,258	0	(29,935)	980,323
UCC	84,375	0	(2,500)	81,875
Total forgivable loans	7,845,814	0	(232,470)	7,613,344
Deferred contributions				
East end Toronto property	25,231	0	(4,387)	20,844
40 Oak Street	2,932,921	0	(99,011)	2,833,910
Total	10,803,966	0	(335,868)	10,468,098

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	2019 Closing balance
Mortgage payable to OILC	$ 5,503,280	$ (153,063)	$ (6,665)	$ 5,343,552
Loan payable to TUCC	282,434	(10,827)	(407)	271,200
Loan payable to UCC	9,430	(16,826)	7,396	0
	5,795,144	(180,716)	324	5,614,752

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

	2020	2021	2022	2023	2024
Mortgage payable to OILC	$ 159,729	$ 166,684	$ 173,942	$ 181,516	$ 189,421
Loan payable to TUCC	11,234	11,718	12,191	12,684	13,172
Loan payable to UCC	9,430	0	0	0	0
	180,393	178,402	186,133	194,200	202,593

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. As a result, the comparative figures reflect the results of its operations and its cash flows for a 15 month period.

Note 10 Subsequent Event

Subsequent to the year-end, the Board of Directors of the Corporation and Fred Victor Centre unanimously agreed to a planning process leading to a voluntary amalgamation aimed at improving services. The two organizations have signed a Letter of Understanding that sets out the core principles for proceeding, with an amalgamation target date of August, 2019 (subject to all necessary approvals). The process for full integration will continue throughout 2019.