



Financial Statements

Toronto Refugee Community Non-Profit
Homes and Services
(operating as Romero House)

March 31, 2019

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Independent Auditor's Report

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To the Members of
Toronto Refugee Community Non-Profit Homes and Services
(operating as Romero House)

Qualified Opinion

We have audited the financial statements of Toronto Refugee Community Non-Profit Homes and Services (operating as Romero House) (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in fund balances 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 possible 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 the Organization as at March 31, 2019, and its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the City of Toronto: Shelter, Support and Housing Administration in compliance with the Housing Services Act (the "HAS").

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from contributions from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures, and cash flows for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and fund balances as at April 1, 2018 and 2017 and March 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Organization in complying with the financial reporting provisions of the agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of the Organization and the City of Toronto and should not be used by parties other than the specified users. Our opinion is not modified in respect of this matter.

Other matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule are presented for purposes of additional information and has not been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the HSA, 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 the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's 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 auditor's 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 the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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.

Grant Thornton LLP

Toronto, Canada
June 3, 2019

Chartered Professional Accountants
Licensed Public Accountants

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Statement of Financial Position

March 31	2019	2018
Assets		
Current		
Cash	\$ 170,048	\$ 180,521
Short-term investments (Note 4)	327,543	352,087
Accounts receivable	8,670	9,633
Subsidy receivable from service manager	24,165	23,879
Subsidy supplement receivable from service manager	1,641	2,743
Prepaid expenses	<u>1,075</u>	<u>2,331</u>
	533,142	571,194
Capital reserve investments (Note 5)	143,283	130,235
Property and equipment (Note 6)	<u>1,257,790</u>	<u>1,343,544</u>
	<u>\$ 1,934,215</u>	<u>\$ 2,044,973</u>
<hr/>		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 77,957	\$ 74,312
Deferred revenue (Note 7)	30,106	79,136
Mortgages payable (Note 8)	<u>62,452</u>	<u>241,419</u>
	170,515	394,867
Deferred revenue (Note 7)	428,589	447,489
Mortgages payable (Note 8)	<u>590,765</u>	<u>471,969</u>
	<u>1,189,869</u>	<u>1,314,325</u>
Fund balances		
Unrestricted	579,620	582,188
Capital reserve fund	143,283	130,235
Bloor Centre reserve fund	<u>21,443</u>	<u>18,225</u>
	<u>744,346</u>	<u>730,648</u>
	<u>\$ 1,934,215</u>	<u>\$ 2,044,973</u>

See accompanying notes to the financial statements.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Statement of Operations

Year ended March 31	2019	2018
Revenue		
City of Toronto Funding		
Social housing subsidies	\$ 215,539	\$ 216,732
Rent supplement subsidy	68,593	67,627
Supporting Communities Partnership Initiative Grant	18,900	18,900
Donations	293,849	255,259
Rental income		
Social housing	49,626	48,463
Other	11,867	11,430
Other grants	67,000	88,000
Interest and other	10,843	13,184
	<u>736,217</u>	<u>719,595</u>
Expenditures		
Refugee services (includes amortization of \$6,683 (2018 - \$6,684))	376,083	341,338
Social housing (Schedules 1 and 2)	264,007	277,089
Bloor Centre (includes amortization of \$18,900 (2018 - \$18,900))	98,695	106,736
	<u>738,785</u>	<u>725,163</u>
Deficiency of revenue over expenditures	<u>\$ (2,568)</u>	<u>\$ (5,568)</u>

See accompanying notes to the financial statements.

Toronto Refugee Community Non-Profit Homes and Services
 (operating as Romero House)
Statement of Changes in Fund Balances

Year ended March 31

	Unrestricted	Capital reserve fund	Bloor Centre reserve fund	Total 2019	Total 2018
Fund balances, beginning of year	\$ 582,188	\$ 130,235	\$ 18,225	\$ 730,648	\$ 725,489
Deficiency of revenue over expenditures	(2,568)	-	-	(2,568)	(5,568)
Investment in capital reserve fund	-	7,918	3,218	11,136	10,972
Interest earned (expense) on capital reserve investments	-	<u>5,130</u>	-	<u>5,130</u>	<u>(245)</u>
Fund balances, end of year	<u>\$ 579,620</u>	<u>\$ 143,283</u>	<u>\$ 21,443</u>	<u>\$ 744,346</u>	<u>\$ 730,648</u>

See accompanying notes to the financial statements.

Toronto Refugee Community Non-Profit Homes and Services
 (operating as Romero House)
Statement of Cash Flows

Year ended March 31	2019	2018
Increase (decrease) in cash		
Operating		
Deficiency of revenue over expenditures	\$ (2,568)	\$ (5,568)
Items not involving cash		
Deferred revenue recognized (Note 7)	(63,668)	(67,815)
Amortization of property and equipment	<u>85,754</u>	<u>83,600</u>
	<u>19,518</u>	<u>10,217</u>
Net change in non-cash working capital items		
Accounts receivable	963	530
Subsidy receivable from service manager	(286)	446
Subsidy supplement receivable from service manager	1,102	(1,184)
Prepaid expenses	1,256	5,985
Accounts payable and accrued liabilities	3,645	1,838
Deferred revenue funds received during the year (Note 7)	-	52,527
Unused deferred revenue funds payable (Note 7)	<u>(4,262)</u>	<u>-</u>
	<u>2,418</u>	<u>60,142</u>
	<u>21,936</u>	<u>70,359</u>
Financing		
Repayment of mortgages payable	<u>(60,171)</u>	<u>(58,016)</u>
Investing		
Redemption (purchase) of short-term investments	24,544	(29,151)
Transfer to capital reserve fund	11,136	10,972
Investment in capital reserve fund	<u>(7,918)</u>	<u>3,205</u>
	<u>27,762</u>	<u>(14,974)</u>
Decrease in cash during the year	(10,473)	(2,631)
Cash		
Beginning of year	<u>180,521</u>	<u>183,152</u>
End of year	<u>\$ 170,048</u>	<u>\$ 180,521</u>

See accompanying notes to the financial statements.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2019

1. Operations and incorporation

Toronto Refugee Community Non-Profit Homes and Services (operating as Romero House) (the "Organization") was incorporated without share capital under the laws of Ontario and is a registered charitable organization that is exempt from taxes under the Income Tax Act. The Organization provides low income housing and services for refugees.

The Organization is economically dependent on the continued financial support of the City of Toronto and the private sector to meet its ongoing commitments.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with significant accounting policies set out below to comply with the financial reporting framework prescribed by the Housing Services Act (the "HSA") and the City of Toronto. This framework requires the financial statements to be prepared in accordance with Canadian accounting standards for not-for-profit organizations subject to the following significant exceptions:

- (a) capital expenditures may be charged to the replacement reserve rather than capitalized and amortized over their estimated useful life;
- (b) a replacement reserve is appropriated from operations; and
- (c) investment income earned on the replacement reserve is credited directly to the reserve rather than operations.
- (d) property and equipment is to be amortized in annual amounts equal to the principal mortgage repayments. Amortization is not provided for over the estimated useful life of the property and equipment.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to deficiency of revenue over expenditures as appropriate in the fiscal year they become known.

Revenue recognition

The Organization follows the deferral method of accounting for revenue. Unrestricted donations are recognized as revenue in the statement of operations in the fiscal year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2019

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

The Organization receives private and municipal level subsidies and grants during the fiscal year. The subsidies and grants are externally restricted and recognized as revenue in the fiscal year in which the related expenditures are incurred. Externally restricted contributions are deferred and recognized as revenue in the year the related expenses are incurred. Externally restricted contributions for property and equipment are deferred and recognized in the statement of operations on the same basis as the related amortization expense.

Rental, interest and other income is recognized as earned.

Capital reserve fund

This fund includes an annual provision internally restricted to this fund and charges for property maintenance expenditures for all except the Bloor Centre, which are long-term in nature, and which do not represent regular day-to-day maintenance. The current year provision of \$7,918 (2018 - \$7,810) is based on the capital reserve provision of the prior year, multiplied by an index dictated by the Ontario Ministry of Municipal Affairs and Housing as communicated by the City of Toronto.

Bloor Centre reserve fund

This fund includes an annual provision internally restricted to this fund and charges for property maintenance expenditures related to the Bloor Centre, which are long-term in nature, and which do not represent regular day-to-day maintenance. The current year provision of \$3,218 (2018 - \$3,162) is based on 4% of the rent supplement subsidy estimate for the fiscal year as communicated by the City of Toronto.

Interfund transfers

Transfers between funds are required when resources of one fund have been authorized to finance activities and acquisitions in another fund.

Contributed goods

Contributed goods and capital donations are recorded in the financial statements at fair market value as at the date of contribution.

Contributed services

The Organization receives donations in the form of services from volunteers and its Board of Directors. The fair value of these services cannot be reasonably estimated and is not recorded in the financial statements.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2019

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment include social housing properties which consist of houses, furniture and fixtures. The HSA requires such property and equipment to be amortized in annual amounts equal to the principal mortgage repayments. Amortization is not provided for over the estimated useful life of the property and equipment.

Other property and equipment, other than land which is not amortized, are recorded at cost and are amortized over their estimated useful life on a straight-line basis as follows:

Building	40 years
Vehicles	5 years

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Organization's financial instruments consist of cash, short-term investments, accounts receivable, subsidy receivable from service manager, subsidy supplement receivable from service manager, capital reserve investments, accounts payable, and mortgages payable.

Financial instruments are initially recorded at fair value and subsequently measured at amortized cost except for capital reserve investments, which are subsequently recorded at fair value. Unrealized gains and losses are recorded in deficiency of revenue over expenditures, if applicable.

3. Objectives, policies and procedures for managing capital

The Organization defines its capital as the amounts included in its fund balances. The Organization's objective when managing its capital is to safeguard the Organization's ability to continue as a going concern so that it can continue to provide programs and services in line with its mission and vision.

A portion of the Organization's capital is restricted in that the Organization is required to meet certain requirements in order to utilize its externally restricted reserve fund balance, as described under the capital reserve fund, Bloor Centre reserve fund and revenue recognition accounting policies in Note 2. The Organization has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the fiscal year.

The Organization sets the amount of fund balances in proportion to risk, manages the fund structure and makes adjustments.

4. Short-term investments

Short-term investments consist of guaranteed investment certificates (GICs). The GICs mature from July 2019 to March 2022 and earn interest from 0.35% to 2.15% (2018 – mature from December 2018 to March 2021, earning interest from 0.84% to 2.15%). The GICs are retractable on demand.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2019

5. Capital reserve investments

	<u>2019</u>	<u>2018</u>
Worldsource Financial Management Inc. Social Housing Canadian short-term bond fund and Social Housing Canadian bond funds	\$ 143,283	\$ 130,235

6. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Houses, furniture and fixtures	\$ 1,469,089	\$ 811,025	\$ 658,064	\$ 718,237
Land	135,531	-	135,531	135,531
Building	755,991	308,501	447,490	466,389
Vehicles	<u>33,410</u>	<u>16,705</u>	<u>16,705</u>	<u>23,387</u>
	\$ 2,394,021	\$ 1,136,231	\$ 1,257,790	\$ 1,343,544

7. Deferred revenue

	<u>Refugee Services</u>	<u>Bloor Centre</u>	<u>2019 Total</u>	<u>2018 Total</u>
Deferred revenue, beginning of year	\$ 60,236	\$ 466,389	\$ 526,625	\$ 541,913
Restricted contributions received	-	-	-	52,527
Revenue recognized	(44,768)	(18,900)	(63,668)	(67,815)
Reclassification to accounts payable and accrued liabilities	<u>(4,262)</u>	<u>-</u>	<u>(4,262)</u>	<u>-</u>
Deferred revenue, end of year	11,206	447,489	458,695	526,625
Less: current portion	<u>11,206</u>	<u>18,900</u>	<u>30,106</u>	<u>79,136</u>
	\$ -	\$ 428,589	\$ 428,589	\$ 447,489

Toronto Refugee Community Non-Profit Homes and Services
 (operating as Romero House)
Notes to the Financial Statements

March 31, 2019

8. Mortgages payable

	<u>2019</u>	<u>2018</u>
Mortgage payable in monthly principal and interest payments of \$3,289, bearing interest at 6.49% per annum, due January 1, 2026, secured by 48 Wanda Road property in Toronto, Ontario	\$ 265,773	\$ 287,467
Mortgage payable in monthly principal and interest payments of \$2,188, bearing interest at 1.878% per annum, due April 1, 2021, secured by 40 Dorval Road property in Toronto, Ontario	206,196	228,370
Mortgage payable in monthly principal and interest payments of \$1,829, bearing interest at 3.028% per annum, due September 1, 2023, secured by 175 Keele Street property in Toronto, Ontario	<u>181,248</u>	<u>197,551</u>
	653,217	713,388
Less: current portion	<u>62,452</u>	<u>241,419</u>
	<u>\$ 590,765</u>	<u>\$ 471,969</u>

Interest in the amount of \$27,455 (2018 - \$29,523) related to the above mortgages payable has been recorded in social housing expenditures.

Future minimum principal repayments are as follows:

2020	\$ 62,452
2021	64,914
2022	204,631
2023	46,322
2024	141,038
Thereafter	<u>133,860</u>
	<u>\$ 653,217</u>

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2019

9. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk with respect to its accounts payable and mortgages payable. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to repay advances.

Included in accounts payable and accrued liabilities are government remittances owing by the Organization of \$3,638 (2018 - \$2,889) in relation to source deductions.

Interest rate risk

Interest rate price risk is the risk that the fair value of an interest bearing financial instrument will fluctuate due to changes in market interest rates. The Organization's exposure to interest rate risk is limited to its fixed interest bearing investments.

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counterparty to a financial instrument failing to discharge an obligation or commitment that it has entered into with the Organization. The Organization's main credit risks relate to its accounts receivable.

The Organization reduces its exposure to credit risk by assessing credit on a regular basis and providing for an allowance for doubtful accounts when applicable. The allowance for doubtful accounts in relation to accounts receivable is \$Nil (2018 - \$Nil).

Other risks

It is management's opinion that the Organization is not exposed to significant currency, interest rate cash flow, or market risks arising from its financial instruments

10. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2019 financial statements.

Toronto Refugee Community Non-Profit Homes and Services
 (operating as Romero House)
Schedules to the Financial Statements

Year ended March 31

Social Housing Revenue and Expenditures	Schedule 1	
	<u>2019</u>	<u>2018</u>
Revenue		
City of Toronto Funding		
Social housing subsidies	\$ 215,539	\$ 216,732
Rental income	<u>49,626</u>	<u>48,463</u>
	<u>265,165</u>	<u>265,195</u>
Expenditures		
Salaries and benefits	98,239	105,490
Amortization of property and equipment	60,171	58,016
Home maintenance	28,180	40,030
Mortgage payable interest (Note 8)	27,455	29,523
Utilities	19,627	19,611
Office	5,341	3,123
Transfer to capital reserve fund	7,918	7,810
Consultants	6,500	6,497
General and administrative	5,247	2,075
Insurance	<u>5,329</u>	<u>4,914</u>
	<u>264,007</u>	<u>277,089</u>
Excess (deficiency) of revenue over expenditures	\$ 1,158	\$ (11,894)

Social Housing Operating Expenditures	Schedule 2	
	<u>2019</u>	<u>2018</u>
Total social housing expenditures	\$ 264,007	\$ 277,089
Less:		
Mortgage payable interest (Note 8)	(27,455)	(29,523)
Mortgage principal repayments	<u>(60,171)</u>	<u>(58,016)</u>
	<u>\$ 176,381</u>	<u>\$ 189,550</u>
