



Grant Thornton

Financial Statements

Toronto Refugee Community Non-Profit Homes
and Services

(operating as Romero House)

March 31, 2017

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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)

We have audited the accompanying financial statements of Toronto Refugee Community Non-Profit Homes and Services (operating as Romero House), which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of the City of Toronto: Shelter, Support and Housing Administration in compliance with the Housing Services Act (the HSA).

Management's responsibility 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.

Auditor's 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 entity'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 entity'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.

Basis for qualified opinion

In common with many charitable organizations, the Organization derives revenue from donations from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Organization and 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, 2017 and 2016, current assets as at March 31, 2017 and 2016, and fund balances as at April 1, 2016 and 2015 and March 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements of the Organization for the year ended March 31, 2017 are prepared, in all material respects, in accordance with the financial reporting provisions of the HSA.

Basis of accounting

Without modifying our opinion further, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Organization to comply with the financial reporting provisions of the HSA as referred to above. As a result, the financial statements may not be suitable for another purpose.

Grant Thornton LLP

Toronto, Canada
June 19, 2017

Chartered Professional Accountants
Licensed Public Accountants

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

March 31	2017	2016
Assets		
Current		
Cash	\$ 183,152	\$ 265,155
Short-term investments	322,936	315,404
Capital reserve investments (Note 4)	133,685	132,462
Accounts receivable	10,163	15,885
Subsidy receivable from service manager	24,325	29,887
Subsidy supplement receivable from service manager	1,559	-
Prepaid expenses	<u>8,316</u>	<u>1,350</u>
	684,136	760,143
Property and equipment (Note 5)	<u>1,427,144</u>	<u>1,476,040</u>
	<u>\$ 2,111,280</u>	<u>\$ 2,236,183</u>
<hr/>		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 72,474	\$ 57,446
Subsidy supplement payable to service manager	-	13,426
Deferred revenue (Note 6)	25,600	34,740
Current portion of mortgages payable (Note 7)	<u>58,016</u>	<u>55,638</u>
	156,090	161,250
Deferred revenue (Note 6)	516,313	585,572
Mortgages payable (Note 7)	<u>713,388</u>	<u>771,404</u>
	<u>1,385,791</u>	<u>1,518,226</u>
Fund balances		
Unrestricted	576,741	573,547
Capital reserve fund	133,685	132,462
Bloor centre reserve fund	<u>15,063</u>	<u>11,948</u>
	<u>725,489</u>	<u>717,957</u>
	<u>\$ 2,111,280</u>	<u>\$ 2,236,183</u>

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

Year ended March 31	2017	2016
Revenue		
City of Toronto Funding		
Social housing subsidies	\$ 212,563	\$ 214,060
Rent supplement subsidy	66,652	64,742
Supporting Communities Partnership Initiative Grant	18,900	18,900
Donations	354,415	201,499
Rental income		
Social housing rental income	47,932	47,978
Other rental income	11,216	11,614
Interest and other income	14,002	12,533
Other grants	<u>60,000</u>	<u>69,000</u>
	<u>785,680</u>	<u>640,326</u>
Expenditures		
Refugee services (includes amortization of \$7,770 (2016 - \$4,430))	393,327	253,363
Social housing (Schedules 1 and 2)	302,824	283,600
Bloor Centre (includes amortization of \$18,900 (2016 - \$18,900))	<u>93,962</u>	<u>88,961</u>
	<u>790,113</u>	<u>625,924</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (4,433)</u>	<u>\$ 14,402</u>

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 2017	Total 2016
Fund balances, beginning of year	\$ 573,547	\$ 132,462	\$ 11,948	\$ 717,957	\$ 692,036
Excess (deficiency) of revenue over expenditures	(4,433)	-	-	(4,433)	14,402
Investment in capital reserve fund	-	7,666	3,115	10,781	10,649
Interest earned on capital reserve investments	-	1,184	-	1,184	870
Building assessment	<u>7,627</u>	<u>(7,627)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 576,741</u>	<u>\$ 133,685</u>	<u>\$ 15,063</u>	<u>\$ 725,489</u>	<u>\$ 717,957</u>

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

Year ended March 31	2017	2016
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenue over expenditures	\$ (4,433)	\$ 14,402
Items not involving cash		
Deferred revenue recognized (Note 6)	(95,099)	(53,329)
Amortization of property and equipment	<u>82,308</u>	<u>73,795</u>
	<u>(17,224)</u>	<u>34,868</u>
Net change in non-cash working capital items		
Accounts receivable	5,722	1,996
Subsidy receivable from service manager	5,562	170
Prepaid expenses	(6,966)	(519)
Accounts payable and accrued liabilities	15,028	(3,711)
Subsidy supplement receivable/payable to service manager	(14,985)	(3,605)
Deferred revenue funds received during the year (Note 6)	<u>16,700</u>	<u>106,295</u>
	<u>21,061</u>	<u>100,626</u>
	<u>3,837</u>	<u>135,494</u>
Financing		
Mortgages payable repayments	<u>(55,638)</u>	<u>(50,465)</u>
Investing		
Purchase of property and equipment	(33,412)	-
Proceeds on sale (acquisition) of short-term investments	(7,532)	22,944
Transfer to capital reserve fund	10,781	10,649
Investment in capital reserve fund	<u>(39)</u>	<u>(7,594)</u>
	<u>(30,202)</u>	<u>25,999</u>
Net change in cash during the year	(82,003)	111,028
Cash		
Beginning of year	<u>265,155</u>	<u>154,127</u>
End of year	<u>\$ 183,152</u>	<u>\$ 265,155</u>

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to Financial Statements

March 31, 2017

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

These financial statements have been prepared by management in accordance with the basis of accounting required under the terms of the Housing Services Act (the HSA). The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations. The following is a summary of the Organization's significant accounting policies.

Use of estimates

The preparation of financial statements in conformity with the basis of accounting required by the HSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the fiscal year. Actual results could differ from these estimates.

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.

The Organization receives private and municipal level grants during the fiscal year. The grants are externally restricted and recognized as revenue in the fiscal year in which the related expenditures 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.

Interest and other income is recognized as earned.

Short-term investments

Short-term investments consist of cash and guaranteed investment certificates (GICs) that are recorded at fair value. The GICs mature from March, 2018 to February, 2020 and earn interest from 1.64% to 2.15% (2016 – mature from March, 2017 to February, 2020, earning interest from 1.54% to 2.15%). The GICs are retractable on demand.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to Financial Statements

March 31, 2017

2. Summary of significant accounting policies (continued)

Capital reserve fund

This fund includes an annual provision restricted to this fund and charges for property maintenance expenditures, which are long-term in nature, and which do not represent regular day-to-day maintenance. The current year provision of \$7,666 (2016 - \$7,594) 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 to total \$7,666 as directed by the City of Toronto.

Bloor centre reserve fund

This fund includes an annual provision 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 \$3,115 (2016 - \$3,005) 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.

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

Toronto Refugee Community Non-Profit Homes and Services

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Notes to Financial Statements

March 31, 2017

2. Summary of significant accounting policies (continued)

Financial instruments

The Organization's financial instruments consist of cash, short-term investments, capital reserve investments, accounts receivable, subsidy receivable from service manager, accounts payable, subsidy supplement payable to service manager and mortgages payable.

Financial instruments are initially recorded at fair value and subsequently measured at amortized cost except for short-term investments and capital reserve investments.

Short-term investments and capital reserve investments are recorded at fair value. Unrealized gains and losses are recorded in excess (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 fund balance, as described under the capital 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. Capital reserve investments

	2017		2016	
	Market Value	Cost	Market Value	Cost
Philips, Hager & North Investments Fund, Ltd. Canadian short-term bond and bond funds	<u>\$ 133,685</u>	<u>\$ 135,468</u>	<u>\$ 132,462</u>	<u>\$ 129,132</u>

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

March 31, 2017

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net Book Value</u>	<u>2016 Net Book Value</u>
Houses, furniture and fixtures	\$ 1,469,089	\$ 692,835	\$ 776,254	\$ 831,894
Building	755,991	270,701	485,290	504,189
Land	135,531	-	135,531	135,531
Vehicles	33,410	3,341	30,069	4,426
	<u>\$ 2,394,021</u>	<u>\$ 966,877</u>	<u>\$ 1,427,144</u>	<u>\$ 1,476,040</u>

6. Deferred revenue

	<u>Refugee Services</u>	<u>Bloor Centre</u>	<u>2017 Total</u>	<u>2016 Total</u>
Deferred revenue, beginning of year	\$ 116,123	\$ 504,189	\$ 620,312	\$ 567,346
Cash funds received during the year	16,700	-	16,700	106,295
Revenue recognized during the year	<u>(76,199)</u>	<u>(18,900)</u>	<u>(95,099)</u>	<u>(53,329)</u>
Deferred revenue, end of year	56,624	485,289	541,913	620,312
Less: current portion	<u>6,700</u>	<u>18,900</u>	<u>25,600</u>	<u>34,740</u>
	<u>\$ 49,924</u>	<u>\$ 466,389</u>	<u>\$ 516,313</u>	<u>\$ 585,572</u>

Toronto Refugee Community Non-Profit Homes and Services
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Notes to Financial Statements

March 31, 2017

7. Mortgages payable

	<u>2017</u>	<u>2016</u>
Mortgage payable in monthly principal and interest payments of \$1,817, bearing interest at 2.882%, due September 1, 2018, secured by 175 Keele Street property in Toronto, Ontario	\$ 213,452	\$ 228,904
Mortgage payable in monthly principal and interest payments of \$2,188, bearing interest at 1.878%, due April 1, 2021, secured by 40 Dorval Road property in Toronto, Ontario	250,134	271,228
Mortgage payable in monthly principal and interest payments of \$3,289, bearing interest at 6.49%, due January 1, 2026, secured by 48 Wanda Road property in Toronto, Ontario	<u>307,818</u>	<u>326,910</u>
	771,404	827,042
Less: current portion	<u>58,016</u>	<u>55,638</u>
	<u>\$ 713,388</u>	<u>\$ 771,404</u>

Interest in the amount of \$31,901 (2016 - \$41,164) related to the above mortgages payable has been recorded in social housing expenditures.

Future minimum principal repayments are as follows:

2018	\$ 58,016
2019	241,419
2020	45,717
2021	47,669
2022	186,860
Thereafter	<u>191,723</u>
	<u>\$ 771,404</u>

8. Financial instruments

The Organization's main financial instrument risk exposures are detailed as follows:

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. 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 \$2,796 (2016 - \$3,237) in relation to source deductions.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to Financial Statements

March 31, 2017

8. Financial instruments (continued)

Interest rate risk

The Organization's financial instruments expose it to interest rate risk due to its investments with fixed interest rates.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its funding obligation. This risk is mitigated by the Organization through ensuring revenue is derived from qualified sources. The allowance for doubtful accounts in relation to accounts receivable is \$Nil (2016 - \$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

9. Subsequent event

The Bloor Street property experienced flooding on March 8, 2017, with total damage of determined at June 19, 2017 to be \$62,545. The insurance deductible amount of \$5,000 has been recorded as an expense of the March 31, 2017 fiscal year. The remaining balance of the damage expenditure is being compensated by insurance, and will be recorded in fiscal 2018.

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	
	2017	2016
Revenue		
City of Toronto Funding		\$ 214,060
Social housing subsidies	\$ 212,563	
Rental income	47,932	<u>47,978</u>
	<u>260,495</u>	<u>262,038</u>
 Expenditures		
Salaries and benefits	105,361	100,512
Amortization of houses, furniture and fixtures	55,638	50,465
Home maintenance	52,522	42,622
Mortgage payable interest (Note 7)	31,901	41,164
Utilities	26,010	18,772
Office	8,811	8,110
Transfer to capital reserve fund	7,666	7,594
Consultants	6,534	6,683
General and administrative	3,522	2,862
Insurance	4,859	<u>4,816</u>
	<u>302,824</u>	<u>283,600</u>
 Deficiency of revenue over expenditures	\$ (42,329)	\$ (21,562)

Social Housing Operating Expenditures	Schedule 2	
	2017	2016
Total social housing expenditures	\$ 302,824	\$ 283,600
Less:		
Mortgage payable interest (Note 7)	(31,901)	(41,164)
Mortgage principal repayments	<u>(55,638)</u>	<u>(50,465)</u>
	<u>\$ 215,285</u>	<u>\$ 191,971</u>
