



Financial Statements

Toronto Refugee Community Non-Profit Homes
and Services

(operating as Romero House)

March 31, 2018

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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, 2018, 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, 2018 and 2017, current assets as at March 31, 2018 and 2017, and fund balances as at April 1, 2017 and 2016 and March 31, 2018 and 2017. Our audit opinion on the financial statements for the year ended March 31, 2017 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, 2018 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
May 28, 2018

Chartered Professional Accountants
Licensed Public Accountants

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Statement of Financial Position

March 31	2018	2017
Assets		
Current		
Cash	\$ 180,521	\$ 183,152
Short-term investments (Note 4)	352,087	322,936
Capital reserve investments (Note 5)	130,235	133,685
Accounts receivable	9,633	10,163
Subsidy receivable from service manager	23,879	24,325
Subsidy supplement receivable from service manager	2,743	1,559
Prepaid expenses	<u>2,331</u>	<u>8,316</u>
	701,429	684,136
Property and equipment (Note 6)	<u>1,343,544</u>	<u>1,427,144</u>
	<u>\$ 2,044,973</u>	<u>\$ 2,111,280</u>
<hr/>		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 74,312	\$ 72,474
Deferred revenue (Note 7)	79,136	25,600
Current portion of mortgages payable (Note 8)	<u>241,419</u>	<u>58,016</u>
	394,867	156,090
Deferred revenue (Note 7)	447,489	516,313
Mortgages payable (Note 8)	<u>471,969</u>	<u>713,388</u>
	<u>1,314,325</u>	<u>1,385,791</u>
Fund balances		
Unrestricted	582,188	576,741
Capital reserve fund	130,235	133,685
Bloor centre reserve fund	<u>18,225</u>	<u>15,063</u>
	<u>730,648</u>	<u>725,489</u>
	<u>\$ 2,044,973</u>	<u>\$ 2,111,280</u>

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

Year ended March 31	2018	2017
Revenue		
City of Toronto Funding		
Social housing subsidies	\$ 216,732	\$ 212,563
Rent supplement subsidy	67,627	66,652
Supporting Communities Partnership Initiative Grant	18,900	18,900
Donations	255,259	354,415
Rental income		
Social housing rental income	48,463	47,932
Other rental income	11,430	11,216
Interest and other income	13,184	14,002
Other grants	<u>88,000</u>	<u>60,000</u>
	<u>719,595</u>	<u>785,680</u>
Expenditures		
Refugee services (includes amortization of \$6,684 (2017 - \$7,770))	341,338	393,327
Social housing (Schedules 1 and 2)	277,089	302,824
Bloor Centre (includes amortization of \$18,900 (2017 - \$18,900))	<u>106,736</u>	<u>93,962</u>
	<u>725,163</u>	<u>790,113</u>
Deficiency of revenue over expenditures	<u>\$ (5,568)</u>	<u>\$ (4,433)</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 2018	Total 2017
Fund balances, beginning of year	\$ 576,741	\$ 133,685	\$ 15,063	\$ 725,489	\$ 717,957
Deficiency of revenue over expenditures	(5,568)	-	-	(5,568)	(4,433)
Investment in capital reserve fund	-	7,810	3,162	10,972	10,781
(Interest expense) interest earned on capital reserve investments	-	(245)	-	(245)	1,184
Roof repair	<u>11,015</u>	<u>(11,015)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 582,188</u>	<u>\$ 130,235</u>	<u>\$ 18,225</u>	<u>\$ 730,648</u>	<u>\$ 725,489</u>

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

Year ended March 31	2018	2017
Increase (decrease) in cash		
Operating		
Deficiency of revenue over expenditures	\$ (5,568)	\$ (4,433)
Items not involving cash		
Deferred revenue recognized (Note 7)	(67,815)	(95,099)
Amortization of property and equipment	<u>83,600</u>	<u>82,308</u>
	<u>10,217</u>	<u>(17,224)</u>
Net change in non-cash working capital items		
Accounts receivable	530	5,722
Subsidy receivable from service manager	446	5,562
Prepaid expenses	5,985	(6,966)
Subsidy supplement receivable from service manager	(1,184)	(14,985)
Accounts payable and accrued liabilities	1,838	15,028
Deferred revenue funds received during the year (Note 7)	<u>52,527</u>	<u>16,700</u>
	<u>60,142</u>	<u>21,061</u>
	<u>70,359</u>	<u>3,837</u>
Financing		
Mortgages payable repayments	<u>(58,016)</u>	<u>(55,638)</u>
Investing		
Purchase of property and equipment	-	(33,412)
Acquisition of short-term investments	(29,151)	(7,532)
Transfer to capital reserve fund	10,972	10,781
Investment in capital reserve fund	<u>3,205</u>	<u>(39)</u>
	<u>(14,974)</u>	<u>(30,202)</u>
Net change in cash during the year	(2,631)	(82,003)
Cash		
Beginning of year	<u>183,152</u>	<u>265,155</u>
End of year	<u>\$ 180,521</u>	<u>\$ 183,152</u>

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to Financial Statements

March 31, 2018

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.

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 \$7,810 (2016 - \$7,666) 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 \$7,810 as directed by the City of Toronto.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to Financial Statements

March 31, 2018

2. Summary of significant accounting policies (continued)

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 \$3,162 (2017 - \$3,115) 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

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 deficiency of revenue over expenditures, if applicable.

Toronto Refugee Community Non-Profit Homes and Services

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Notes to Financial Statements

March 31, 2018

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. Short-term investments

Short-term investments consist of cash and guaranteed investment certificates (GICs) that are recorded at fair value. The GICs mature from December, 2018 to March, 2021 and earn interest from 0.84% to 2.15% (2017 – mature from March, 2018 to February, 2020, earning interest from 1.64% to 2.15%). The GICs are retractable on demand.

5. Capital reserve investments

	<u>2018</u>		<u>2017</u>	
	Market Value	Cost	Market Value	Cost
Philips, Hager & North Investments Fund, Ltd. Canadian short-term bond and bond funds	<u>\$ 130,235</u>	<u>\$ 134,324</u>	<u>\$ 133,685</u>	<u>\$ 135,468</u>

6. Property and equipment

			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Houses, furniture and fixtures	\$ 1,469,089	\$ 750,852	\$ 718,237	\$ 776,254
Building	755,991	289,602	466,389	485,290
Land	135,531	-	135,531	135,531
Vehicles	<u>33,410</u>	<u>10,023</u>	<u>23,387</u>	<u>30,069</u>
	<u>\$ 2,394,021</u>	<u>\$ 1,050,477</u>	<u>\$ 1,343,544</u>	<u>\$ 1,427,144</u>

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to Financial Statements

March 31, 2018

7. Deferred revenue

	Refugee Services	Bloor Centre	2018 Total	2017 Total
Deferred revenue, beginning of year	\$ 56,624	\$ 485,289	\$ 541,913	\$ 620,312
Restricted contributions received during the year	52,527	-	52,527	16,700
Revenue recognized during the year	<u>(48,915)</u>	<u>(18,900)</u>	<u>(67,815)</u>	<u>(95,099)</u>
Deferred revenue, end of year	60,236	466,389	526,625	541,913
Less: current portion	<u>60,236</u>	<u>18,900</u>	<u>79,136</u>	<u>25,600</u>
	<u>\$ -</u>	<u>\$ 447,489</u>	<u>\$ 447,489</u>	<u>\$ 516,313</u>

8. Mortgages payable

	2018	2017
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	\$ 197,551	\$ 213,452
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	228,370	250,134
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>287,467</u>	<u>307,818</u>
	713,388	771,404
Less: current portion	<u>241,419</u>	<u>58,016</u>
	<u>\$ 471,969</u>	<u>\$ 713,388</u>

Interest in the amount of \$29,523 (2017 - \$31,901) related to the above mortgages payable has been recorded in social housing expenditures. Future minimum principal repayments are as follows:

2019	\$ 241,419
2020	45,717
2021	47,669
2022	186,860
2023	28,008
Thereafter	<u>163,715</u>
	<u>\$ 713,388</u>

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to Financial Statements

March 31, 2018

9. 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 \$2,889 (2017 - \$2,796) in relation to source deductions.

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 (2017 - \$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

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>2018</u>	<u>2017</u>
Revenue		
City of Toronto Funding		
Social housing subsidies	\$ 216,732	\$ 212,563
Rental income	<u>48,463</u>	<u>47,932</u>
	<u>265,195</u>	<u>260,495</u>
Expenditures		
Salaries and benefits	105,490	105,361
Amortization of houses, furniture and fixtures	58,016	55,638
Home maintenance	40,030	52,522
Mortgage payable interest (Note 8)	29,523	31,901
Utilities	19,611	26,010
Office	3,123	8,811
Transfer to capital reserve fund	7,810	7,666
Consultants	6,497	6,534
General and administrative	2,075	3,522
Insurance	<u>4,914</u>	<u>4,859</u>
	<u>277,089</u>	<u>302,824</u>
Deficiency of revenue over expenditures	<u>\$ (11,894)</u>	<u>\$ (42,329)</u>

Social Housing Operating Expenditures	Schedule 2	
	<u>2018</u>	<u>2017</u>
Total social housing expenditures	\$ 277,089	\$ 302,824
Less:		
Mortgage payable interest (Note 8)	(29,523)	(31,901)
Mortgage principal repayments	<u>(58,016)</u>	<u>(55,638)</u>
	<u>\$ 189,550</u>	<u>\$ 215,285</u>
