

**SCARBOROUGH HOUSING HELP CENTRE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**Scarborough Housing Help Centre**

We have audited the accompanying financial statements of Scarborough Hosing Help Centre ("SHHC"), which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statement of operations, statement of changes in net assets (operating fund), statement of changes in net assets (reserve fund) and statement of cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SHHC as at December 31, 2012, December 31, 2011 and January 1, 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

**McGOVERN, HURLEY, CUNNINGHAM, LLP**



**Chartered Accountants  
Licensed Chartered Accountants**

TORONTO, Canada  
August 19, 2013

	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash	79,312	123,108	132,453
Term deposit	15,000	15,000	15,000
Accounts receivable	54,507	30,093	35,224
Government remittances receivable	24,014	15,509	8,139
Prepaid expenses	<u>7,167</u>	<u>7,167</u>	<u>7,167</u>
<b>TOTAL CURRENT ASSETS</b>	<b>180,000</b>	<b>190,877</b>	<b>197,983</b>
<b>EQUIPMENT</b> (Note 4)	<u>24,951</u>	<u>17,260</u>	<u>10,648</u>
<b>TOTAL ASSETS</b>	<b><u>204,951</u></b>	<b><u>208,137</u></b>	<b><u>208,631</u></b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	57,198	36,012	9,577
Deferred revenue (Note 5)	<u>20,813</u>	<u>45,807</u>	<u>73,027</u>
<b>TOTAL LIABILITIES</b>	<b><u>78,011</u></b>	<b><u>81,819</u></b>	<b><u>82,604</u></b>
<b>NET ASSETS</b>			
Operating fund	16,940	16,318	16,027
Reserve fund	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>
<b>TOTAL NET ASSETS</b>	<b><u>126,940</u></b>	<b><u>126,318</u></b>	<b><u>126,027</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>204,951</u></b>	<b><u>208,137</u></b>	<b><u>208,631</u></b>
<b>COMMITMENTS (NOTE 7)</b>			

APPROVED ON BEHALF OF THE BOARD:

Signed (C. John Harty) \_\_\_\_\_, Director

Signed (William Sinclair) \_\_\_\_\_, Director

See accompanying notes to the financial statements

SCARBOROUGH HOUSING HELP CENTRE  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**OPERATING FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	2012 \$	2011 \$
<b>REVENUE</b>		
City of Toronto (Note 6)	480,409	502,769
Foundations	126,590	116,200
Federal	99,506	102,097
United Way	70,998	37,696
Community donations	49,259	29,308
Bank interest	986	872
Miscellaneous	-	2,777
<b>TOTAL REVENUE</b>	<u>827,748</u>	<u>791,719</u>
<b>EXPENSES</b>		
Salaries and benefits	591,346	582,806
Payments to other agencies	73,500	24,000
Building occupancy	55,391	56,280
Other	43,684	55,194
Office expenses	35,060	37,886
Building capacity	13,230	19,361
Accounting and auditing	6,708	7,158
Printing and publicity	554	2,585
Amortization	7,653	6,158
<b>TOTAL EXPENSES</b>	<u>827,126</u>	<u>791,428</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b> for the year	622	291
<b>NET ASSETS</b> , beginning of the year	<u>16,318</u>	<u>16,027</u>
<b>NET ASSETS</b> , end of the year	<u>16,940</u>	<u>16,318</u>

See accompanying notes to the financial statements

SCARBOROUGH HOUSING HELP CENTRE  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**RESERVE FUND**  
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

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	2012 \$	2011 \$
<b>NET ASSETS</b> , beginning of the year	110,000	110,000
<b>TRANSFER FROM OPERATING FUND</b>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b> , end of the year	<u>110,000</u>	<u>110,000</u>

See accompanying notes to the financial statements

SCARBOROUGH HOUSING HELP CENTRE  
**STATEMENT OF CASH FLOWS**  
 FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	2012 \$	2011 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenues over expenses for the year	622	291
Adjustments for items not affecting cash		
Amortization	7,653	6,158
Changes in working capital:		
(Increase) decrease in accounts receivable	(24,414)	5,131
Increase in accounts payable and accrued liabilities	21,186	26,435
Increase in government remittances receivable	(8,505)	(7,370)
Decrease in deferred revenue	<u>(24,994)</u>	<u>(27,220)</u>
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>(28,452)</u>	<u>3,425</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	<u>(15,345)</u>	<u>(12,770)</u>
(Decrease) in cash	(43,797)	(9,345)
CASH, beginning of the year	<u>123,108</u>	<u>132,453</u>
CASH, end of the year	<u><u>79,311</u></u>	<u><u>123,108</u></u>

See accompanying notes to the financial statements

The purpose of Scarborough Housing Help Centre ("SHHC") is to provide a housing referral service of available, affordable housing to those who are homeless or at risk of becoming homeless. SHHC assists homeless persons obtain temporary, emergency shelter or secure permanent accommodations, and assists those at risk of becoming homeless maintain current housing or secure alternate housing. SHHC is a not for profit organization under the Income Tax Act (Canada)

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The policies set out below were consistently applied to all the periods presented unless otherwise noted (see Note 2). Outlined below are those policies considered particularly significant.

### **Cash and Cash Equivalents:**

Cash and cash equivalents are defined as cash and short-term investments with maturity dates of less than 90 days. As at December 31, 2012 and 2011, SHHC had no cash equivalents.

### **Financial Instruments:**

Financial assets and liabilities are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for trading financial instruments are measured at their fair value with changes in fair value recognized in the statement of operations for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in the Statement of Changes in Net Assets until the asset is removed from the statement of financial position or until impairment is determined to be other than temporary. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. SHHC's financial instruments recognized in the statement of financial position consist of cash, government remittance receivable, and accounts receivable classified as loans receivables (financial assets), and accounts payable and accrued liabilities classified as other (financial liabilities). The carrying amounts of these instruments approximate their fair value due to the short-term maturity of these instruments.

### **Prepaid Expenses:**

Prepaid expenses represent assets that are capable of being separated or divided from the organization and sold, transferred, licensed, rented, or exchanged either individually or together with a related asset.

### **Fund Accounting:**

Revenues and expense related to program delivery and administrative activities are reported in the operating fund.

The Reserve fund is internally established to ensure the continuation of SHHC and is estimated to be equal to minimum operating expenditures for three months.

### **Revenue Recognition:**

SHHC follows the deferral method of accounting for contributions. Contributions externally restricted are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recorded as revenue when received.

### **Income taxes:**

SHHC is a not for profit organization under the Income Tax Act (Canada) and, as such, is exempt from corporate income tax.

### **Contributed Services:**

Voluntary services are contributed to assist SHHC in carrying out its activities. The fair value of these contributed services cannot be reasonably estimated and have not been recognized in these financial statements.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Equipment:

Equipment is stated at acquisition cost. Amortization is provided on the straight-line basis at the following annual rates:

<u>Category</u>	<u>Rate</u>
Office equipment	Three years
Database software	Ten years

Use of Estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 related reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

**2. CHANGE IN THE BASIS OF ACCOUNTING**

Canadian Accounting Standards for Not-for-Profit Organizations:

Effective January 1, 2011, SHHC adopted the requirements of Part III of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook and has adopted Canadian accounting standards for not-for-profit organizations. This framework is in accordance with Canadian GAAP. These are the first financial statements prepared in accordance with the new framework which has been applied retrospectively. The accounting policies set out in the significant accounting policies note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of the opening statement of financial position at January 1, 2011, which is SHHC's date of transition.

SHHC previously issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting XFI. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the previously reported assets, liabilities and net assets of SHHC, and accordingly, no adjustments have been recorded in the comparative statements of financial position, statement of operations, statement of changes in assets and statement of cash flows. Certain of SHHC's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of Canadian accounting standards for not-for-profit organizations.

**3. CHANGE IN ACCOUNTING POLICY**

On December 31, 2012, SHHC changed its accounting policy related to the accounting for equipment purchases. Historically, SHHC has expensed all equipment purchases. Under the new policy, equipment will be capitalized and amortized over its expected useful life.

As a result of this change in policy, certain retroactive restatements of the financial statements presented have been made:

- The statement of financial position as at January 1, 2011 reflects the increase in equipment, total assets, operating fund, total net assets and total liabilities and net assets by \$10,648.
- The statement of financial position as at December 31, 2011 reflects the increase in equipment, total assets, operating fund, total net assets and total liabilities and net assets by \$17,260.
- The statement of operations and changes in net assets – operating fund for the year ended December 31, 2011 reflects the decrease in equipment purchases by \$12,770, the increase in amortization expense by \$6,158, the increase in excess of revenue over expenses by \$6,612, the increase in net assets at the beginning of the year by \$10,648, and the increase in net assets at the end of the year by \$17,260.
- The statement of cash flows for the year ended December 31, 2011 reflects the increase in cash flows from operations and decrease in cash flows from investing activities by \$12,770.

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**4. EQUIPMENT**

	<u>Cost</u> \$	<u>Accumulated Amortization</u> \$	<u>2012 Net</u> \$	<u>2011 Net</u> \$
Office equipment	25,369	16,689	8,680	8,372
Database software	<u>18,112</u>	<u>1,841</u>	<u>16,271</u>	<u>8,888</u>
	<u><u>43,481</u></u>	<u><u>18,530</u></u>	<u><u>24,951</u></u>	<u><u>17,260</u></u>

**5. DEFERRED REVENUE**

Deferred revenue represents unspent resources externally restricted for the use in the following projects:

	<u>2012</u> \$	<u>2011</u> \$
Streets to Homes	16,403	18,807
Foundations	<u>4,410</u>	<u>27,000</u>
	<u><u>20,813</u></u>	<u><u>45,807</u></u>

**6. REVENUE**

The following table summarizes funding revenue from the City of Toronto. SHHC obtains a significant portion of its revenue from the City of Toronto (2012 - 58%; 2011 - 64%). The ongoing operations of SHHC are dependent on funding from the City of Toronto.

	<u>2012</u> \$	<u>2011</u> \$
Housing Help	279,604	279,604
Rent Bank	52,020	52,020
Streets to Homes	121,634	121,098
Other projects	<u>27,151</u>	<u>50,047</u>
	<u><u>480,409</u></u>	<u><u>502,769</u></u>

**7. LEASE COMMITMENTS**

SHHC is committed to minimum rental under lease for its premise which expires in 2016. Minimum rental commitments remaining under this lease approximate the following:

2013	\$ 34,980
2014	39,562
2015	40,462
2016	<u>6,794</u>
	<u><u>\$ 121,798</u></u>

SHHC is committed to minimum rental under a photocopier lease which expires in 2013. Minimum rental commitments remaining under this lease approximate the following:

2013	<u><u>\$ 1,017</u></u>
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**8. FINANCIAL INSTRUMENTS**

Risks and Concentrations:

SHHC is exposed to various risks through its financial instruments. The following analysis provides a measure of SHHC's risk exposure and concentrations at December 31, 2012.

Credit Risk:

SHHC is exposed to credit risk on the accounts receivable from its customers. SHHC has accounts receivable from various members. The credit risk related to any individual member is considered minimal due to the amounts due from each individual member.

Liquidity Risk:

Liquidity risk is the risk SHHC will encounter difficulty in meeting obligations associated with financial liabilities. SHHC is exposed to this risk mainly in respect of its accounts payable. SHHC has a plan in place to meet their obligations as they come due, primarily from cash flow from operations.

**9. CAPITAL MANAGEMENT**

SHHC defines capital as its internally restricted and unrestricted net assets. SHHC is not subject to externally imposed requirements on capital.

SHHC's objectives when managing capital are to generally match the structure of its capital to the underlying nature and term of the assets being financed, and to hold sufficient funds to enable it to withstand negative unexpected financial events, in order to maintain stability in the financial structure. SHHC seeks to maintain sufficient liquidity to enable it to meet its obligations as they become due.