

SCARBOROUGH HOUSING HELP CENTRE

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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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 Housing Help Centre ("SHHC"), which comprise the statement of financial position as at December 31, 2013 and the statement of operations and changes in net assets (operating fund), statement of operations and changes in net assets (reserve fund) and statement of cash flows for the year then ended, 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, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

McGOVERN, HURLEY, CUNNINGHAM, LLP
Chartered Accountants
Licensed Chartered Accountants

TORONTO, Canada
July 17, 2014

| | 2013 | 2012 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT | | |
| Cash | 111,488 | 79,312 |
| Term deposit | 15,000 | 15,000 |
| Accounts receivable | 35,292 | 54,507 |
| Government remittances receivable | 19,002 | 24,014 |
| Prepaid expenses | <u>7,771</u> | <u>7,167</u> |
| TOTAL CURRENT ASSETS | 188,553 | 180,000 |
| EQUIPMENT (Note 2) | <u>21,933</u> | <u>24,951</u> |
| TOTAL ASSETS | <u><u>210,486</u></u> | <u><u>204,951</u></u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | 4,960 | 57,198 |
| Deferred revenue (Note 3) | <u>75,140</u> | <u>20,813</u> |
| TOTAL LIABILITIES | <u>80,100</u> | <u>78,011</u> |
| NET ASSETS | | |
| Operating fund | 10,386 | 16,940 |
| Reserve fund | <u>120,000</u> | <u>110,000</u> |
| TOTAL NET ASSETS | <u>130,386</u> | <u>126,940</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>210,486</u></u> | <u><u>204,951</u></u> |
| COMMITMENTS (NOTE 5) | | |

APPROVED ON BEHALF OF THE BOARD:

Signed (John Harty) _____, Director

Signed (William Sinclair) _____, Director

SCARBOROUGH HOUSING HELP CENTRE
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
OPERATING FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

| | 2013 \$ | 2012 \$ |
|--|----------------|----------------|
| REVENUE | | |
| City of Toronto (Note 4) | 527,437 | 480,409 |
| Federal | 78,144 | 99,506 |
| United Way | 70,880 | 70,998 |
| York Region | 65,000 | - |
| Foundations | 33,210 | 126,590 |
| Community donations | 4,558 | 49,259 |
| Miscellaneous | 3,089 | - |
| Bank interest | <u>830</u> | <u>986</u> |
| TOTAL REVENUE | <u>783,148</u> | <u>827,748</u> |
| EXPENSES | | |
| Salaries and benefits | 553,847 | 591,346 |
| Other | 67,590 | 43,684 |
| Building occupancy | 55,427 | 55,391 |
| Payments to other agencies | 53,300 | 73,500 |
| Office expenses | 30,011 | 35,060 |
| Accounting and auditing | 8,496 | 6,708 |
| Building capacity | 3,400 | 13,230 |
| Printing and publicity | 290 | 554 |
| Amortization | <u>7,341</u> | <u>7,653</u> |
| TOTAL EXPENSES | <u>779,702</u> | <u>827,126</u> |
| EXCESS OF REVENUES OVER EXPENSES for the year | 3,446 | 622 |
| NET ASSETS , beginning of the year | <u>16,940</u> | <u>16,318</u> |
| | 20,386 | 16,940 |
| TRANSFER TO RESERVE FUND | <u>10,000</u> | <u>-</u> |
| NET ASSETS , end of the year | <u>10,386</u> | <u>16,940</u> |

SCARBOROUGH HOUSING HELP CENTRE
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

| | 2013 \$ | 2012 \$ |
|---|----------------|----------------|
| NET ASSETS , beginning of the year | 110,000 | 110,000 |
| TRANSFER FROM OPERATING FUND | <u>10,000</u> | <u>-</u> |
| NET ASSETS , end of the year | <u>120,000</u> | <u>110,000</u> |

See accompanying notes to the financial statements

| | 2013 \$ | 2012 \$ |
|---|-----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess of revenues over expenses for the year | 3,446 | 622 |
| Adjustments for items not affecting cash | | |
| Amortization | 7,341 | 7,653 |
| Changes in working capital: | | |
| Decrease (increase) in accounts receivable | 19,215 | (24,414) |
| (Increase) in prepaid expenses | (604) | - |
| (Decrease) increase in accounts payable and accrued liabilities | (52,238) | 21,186 |
| Decrease (increase) in government remittances receivable | 5,012 | (8,505) |
| Increase (decrease) in deferred revenue | <u>54,327</u> | <u>(24,994)</u> |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | <u>36,499</u> | <u>(28,452)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of equipment | <u>(4,323)</u> | <u>(15,345)</u> |
| Increase (decrease) in cash | 32,176 | (43,797) |
| CASH, beginning of the year | <u>79,312</u> | <u>123,109</u> |
| CASH, end of the year | <u><u>111,488</u></u> | <u><u>79,312</u></u> |

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. 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, 2013, 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.

Continued...

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>2013 Net</u> | <u>2012 Net</u> |
|-------------------|---------------|-------------------------------------|---------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Office equipment | 29,692 | 22,219 | 7,473 | 8,680 |
| Database software | <u>18,112</u> | <u>3,652</u> | <u>14,460</u> | <u>16,271</u> |
| | <u>47,804</u> | <u>25,871</u> | <u>21,933</u> | <u>24,951</u> |

3. DEFERRED REVENUE

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

| | <u>2013</u> | <u>2012</u> |
|------------------------------------|---------------|---------------|
| | \$ | \$ |
| Streets to Homes | 47,142 | 16,403 |
| Foundations | - | 4,410 |
| Citizenship and Immigration Canada | <u>27,998</u> | <u>-</u> |
| | <u>75,140</u> | <u>20,813</u> |

4. REVENUE

The following summarizes funding revenue from the City of Toronto. SHHC obtains a significant portion of its revenue from the City of Toronto (2013 - 67% ; 2012 - 58%). The ongoing operations of SHHC are dependent on funding from the City of Toronto.

| | <u>2013</u> | <u>2012</u> |
|------------------|----------------|----------------|
| | \$ | \$ |
| Housing Help | 279,604 | 279,604 |
| Rent Bank | 52,020 | 52,020 |
| Streets to Homes | 156,231 | 121,634 |
| Other projects | <u>39,582</u> | <u>27,151</u> |
| | <u>527,437</u> | <u>480,409</u> |

Continued...

5. 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:

| | |
|------|------------------|
| 2014 | \$ 39,562 |
| 2015 | 40,562 |
| 2016 | <u>6,794</u> |
| | <u>\$ 86,918</u> |

SHHC is committed to minimum rental under a photocopier lease which expires in 2019. Minimum rental commitments remaining under this lease approximate the following:

| | |
|-----------------|------------------|
| 2014 | \$ 3,299 |
| 2015 | 3,299 |
| 2016 | 3,299 |
| 2017 | 3,299 |
| 2018 and beyond | <u>4,124</u> |
| | <u>\$ 17,320</u> |

6. 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, 2013.

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.

7. 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.