

# **ST. STEPHEN'S COMMUNITY HOUSE**

**Financial Statements**

**Year ended March 31, 2016**

**ST. STEPHEN'S COMMUNITY HOUSE**

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**March 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
St. Stephen's Community House

We have audited the accompanying financial statements of St. Stephen's Community House, which comprise the statement of financial position as at March 31, 2016, and the statements of current operating fund, property fund, general reserve fund and 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 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 our 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, we consider internal control relevant to the Organization'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 Organization'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 St. Stephen's Community House as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Adams & Miles LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
June 16, 2016


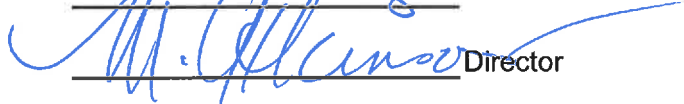
**ST. STEPHEN'S COMMUNITY HOUSE**

**Statement of Financial Position**

**March 31, 2016**

	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash (Notes 3 and 4)	\$ 1,212,957	\$ 2,835,431
Cash in trust (Note 4)	102,069	-
Short-term investments (Note 5)	3,372,276	1,342,537
Accounts receivable	914,859	828,645
Prepaid expenditures	130,675	50,312
	<u>5,732,836</u>	<u>5,056,925</u>
<b>Capital assets</b>		
Land and buildings (Note 6)	1,511,194	1,656,978
Other (Note 6)	1,771,417	1,801,860
	<u>3,282,611</u>	<u>3,458,838</u>
	<u>\$ 9,015,447</u>	<u>\$ 8,515,763</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,764,945	\$ 1,105,052
Due to trustee participants (Note 4)	102,069	109,553
Due to St. Stephen's Property House Corporation (Note 7)	2,783	7,814
Deferred contributions	109,862	141,265
	<u>1,979,659</u>	<u>1,363,684</u>
<b>Fund balances</b>		
Property Fund	4,076,690	4,256,293
General Reserve Fund	2,959,098	2,895,786
	<u>7,035,788</u>	<u>7,152,079</u>
	<u>\$ 9,015,447</u>	<u>\$ 8,515,763</u>

Approved on behalf of the Board:

 Director  
 Director

**ST. STEPHEN'S COMMUNITY HOUSE**

**Statement of Current Operating Fund**

**Year Ended March 31, 2016**

	2016	2015
<b>Revenue</b>		
Fees		
City of Toronto	\$ 2,133,952	\$ 1,761,330
Parents' daycare fees	1,212,737	1,205,299
Grants and donations		
Province of Ontario	6,201,963	6,348,534
Federal government	2,074,409	1,925,912
City of Toronto (Note 8)	1,715,355	1,296,715
United Way	548,113	535,530
Donations and other grants	521,949	557,167
Social enterprise	388,875	301,439
Interest and sundry income	66,576	73,404
	<b>14,863,929</b>	<b>14,005,330</b>
<b>Expenditures</b>		
Salaries and employee benefits (Note 8)	10,158,735	9,337,677
Building occupancy	1,135,103	1,017,604
Purchased services	1,030,190	962,600
Trainee remuneration	959,813	1,353,872
Program supplies	535,904	325,651
Office and general	294,101	298,068
Food services	264,088	222,873
Amortization on building and leasehold improvements used for programs (Note 6)	174,659	174,659
Promotion	88,476	106,244
Employee recruitment and training	64,709	60,271
Audit and legal	46,368	52,760
Transportation and travel	35,036	31,967
Memberships	13,435	16,634
	<b>14,800,617</b>	<b>13,960,880</b>
<b>Excess of revenue over expenditures</b>	<b>63,312</b>	<b>44,450</b>
<b>Current Operating Fund, beginning of year</b>	<b>-</b>	<b>-</b>
<b>Transfer to General Reserve Fund (Note 2)</b>	<b>(63,312)</b>	<b>(44,450)</b>
<b>Current Operating Fund, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

**ST. STEPHEN'S COMMUNITY HOUSE****Statement of Property Fund****Year Ended March 31, 2016**

	2016	2015
<b>Revenue</b>		
Grants and donations		
Province of Ontario	\$ 125,148	\$ 118,886
Donations	7,306	15,823
City of Toronto	-	29,767
Federal government	-	25,000
Other revenue	6,535	10,196
	138,989	199,672
<b>Expenditures</b>		
Amortization of assets other than building and leasehold improvements used for programs (Note 6)	318,592	342,380
<b>Excess of expenditures over revenue</b>	(179,603)	(142,708)
<b>Property Fund, beginning of year</b>	4,256,293	4,399,001
<b>Property Fund, end of year</b>	\$ 4,076,690	\$ 4,256,293
<b>Net assets of Property Fund are as follows:</b>		
Capital assets		
Land and buildings (Note 6)	\$ 1,511,194	\$ 1,656,978
Other (Note 6)	1,771,417	1,801,860
Cash included in cash and investments	698,539	681,820
Cash held for Supportive Housing	95,540	90,635
Cash held for restricted capital expenditures	-	25,000
	\$ 4,076,690	\$ 4,256,293

**ST. STEPHEN'S COMMUNITY HOUSE**

**Statement of General Reserve Fund**

**Year Ended March 31, 2016**

	2016	2015
<b>General Reserve Fund, beginning of year</b>	<b>\$ 2,895,786</b>	<b>\$ 2,851,336</b>
Transfer from Current Operating Fund (Note 2)	63,312	44,450
<b>General Reserve Fund, end of year</b>	<b>\$ 2,959,098</b>	<b>\$ 2,895,786</b>

**ST. STEPHEN'S COMMUNITY HOUSE****Statement of Cash Flows****Year ended March 31, 2016**

	2016	2015
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures		
Current Operating Fund	\$ 63,312	\$ 44,450
Property Fund	(179,603)	(142,708)
Amortization	493,251	517,039
	376,960	418,781
Change in non-cash working capital items		
Accounts receivable	(86,214)	(104,589)
Prepaid expenditures	(80,363)	53,392
Accounts payable and accrued liabilities	659,893	(81,883)
Due to trustee participants	(7,484)	(7,905)
Due to St. Stephen's Property House Corporation	(5,031)	-
Deferred contributions	(31,403)	(355,497)
	826,358	(77,701)
<b>Investing activities</b>		
Decrease (increase) in short-term investments	(2,029,739)	1,762,453
Purchase of capital assets	(317,024)	(214,532)
	(2,346,763)	1,547,921
<b>Change in cash position</b>	(1,520,405)	1,470,220
<b>Cash, beginning of year</b>	2,835,431	1,365,211
<b>Cash, end of year</b>	\$ 1,315,026	\$ 2,835,431
<b>Cash represented by</b>		
Cash	\$ 1,212,957	\$ 2,835,431
Cash in trust	102,069	-
	\$ 1,315,026	\$ 2,835,431



## ST. STEPHEN'S COMMUNITY HOUSE

### Notes to Financial Statements

Year ended March 31, 2016

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#### 1. Nature of operations

St. Stephen's Community House ("the Organization") was founded in 1962 and incorporated as a not-for-profit charitable corporation in 1974 and is exempt from income taxes under the Income Tax Act. Its mission is to work with individuals and communities primarily in downtown west Toronto to identify, prevent and alleviate social and economic problems by creating and providing a range of effective and innovative programs. Existing programs aim to assist children, homeless people, frail or isolated seniors, people living with, or at risk of contracting HIV/AIDS, those who are unemployed, high risk youth and newcomers to Canada.

#### 2. Summary of significant accounting policies

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the year. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the result of operations in the year in which they become known.

##### **Fund accounting**

The accounts of the Organization are maintained in accordance with the principles of the restricted fund method of accounting and accordingly the resources are classified for accounting and reporting purposes into funds determined by the purpose for which those funds are held. The types of funds held are:

##### *Current Operating Fund*

This fund comprises the excess of operating revenue over expenditures. Transfers from the General Reserve Fund are periodically authorized by the Board of Directors. In the current year, the Board of Directors authorized a transfer from the Current Operating Fund to the General Reserve Fund of \$63,312 (2015 - \$44,450) for future use by the General Reserve Fund.

**ST. STEPHEN'S COMMUNITY HOUSE**

**Notes to Financial Statements**

**Year ended March 31, 2016**

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**2. Summary of significant accounting policies - cont'd**

**Fund accounting - cont'd**

*Property Fund*

This fund includes restricted grants from government, other amounts and internally restricted funds designated for the financing of property acquisition, improvements and furniture and equipment. Costs directly relating to the properties excluding building and leasehold improvements amortization used for programs and interest expenditures, are charged to the fund and the balance of the fund consists of capital assets, cash and investment reserves for property acquisition and improvements.

*General Reserve Fund*

This fund includes funds accumulated from various non-operation related sources as well as periodic transfers from the Current Operating Fund and Property Fund, as directed and approved by the Board of Directors. It is the Board of Directors' policy to maintain the fund at levels that represent a minimum of one month's to a maximum of four month's budgeted operating expenditures. The fund is internally restricted.

**Short-term investments**

Short-term investments consist of cash deposited in savings account and guaranteed investment certificates. Short-term investments are recorded at amortized cost using the effective interest method.

Short-term investment income is recognized as revenue of the related fund when earned.

**Capital assets**

Capital assets that are purchased are recorded at cost. Capital assets that are donated are recorded at fair value on the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives at the following annual rates:

Buildings	20 years
Leasehold improvements	3 - 45 years
Furniture and equipment	3 - 5 years

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

**ST. STEPHEN'S COMMUNITY HOUSE**

**Notes to Financial Statements**

**Year ended March 31, 2016**

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**2. Summary of significant accounting policies - cont'd**

**Impairment of long-lived assets**

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

**Deferred grants**

The Organization receives federal, provincial and municipal level grants and other third party grants during the year. Grants that are externally restricted where no fund has been established by the Organization are recognized as revenue in the Current Operating Fund in the year in which the related expenditures are incurred.

**Revenue recognition**

Unrestricted grants and donations related to general operations are recognized as revenue in the Statement of Current Operating Fund in the year received.

Revenue from fees and social enterprise services are recognized in the Statement of Current Operating Fund when earned if the amount can be reasonably estimated and collection is reasonably assured. Revenue is considered earned when a service has been provided or a product has been delivered.

Restricted grants and donations related to specified programs and activities where no fund has been established by the Organization are recognized as deferred contributions on the statement of Financial Position and recognized as revenue in the Statement of Current Operating Fund as expenditures are incurred.

Restricted grants and donations related to capital acquisitions are recognized as revenue in the Statement of Property Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest and sundry income is recognized as revenue of the related fund when earned.

## ST. STEPHEN'S COMMUNITY HOUSE

### Notes to Financial Statements

Year ended March 31, 2016

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#### 2. Summary of significant accounting policies - cont'd

##### **Contributed services**

Volunteers contributed time to assist the Organization in carrying out its programs. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Other organizations contribute non-monetary resources to assist in the Organization's programs. These contributions are treated as in-kind donations and are not recognized in the financial statements due to the difficulty in determining their fair value.

##### **Allocated expenses**

The Organization provides many programs and services to many individuals and communities as described in Note 1. The costs of each program include the costs of personnel responsible for delivering these programs as well as expenditures that are directly related to conducting these programs.

The Organization also incurs costs related to fundraising, administration and governance. Like the program areas, these costs include the costs of personnel with responsibilities in these areas as well as expenditures that are directly related to these activities.

Where personnel have responsibilities that relate to more than one functional area, the costs are charged to each area based on time spent on each function based on management's best estimate. The charges related to personnel costs are reviewed on a regular basis and adjustments are made during the year for significant changes in an individual's area of responsibility.

In addition to these costs, a number of support expenditures are incurred that are shared between some or all areas. These include expenditures relating to office equipment, amortization of capital assets, building occupancy costs, insurance, office supplies, outside services, telephone, legal and audit fees. The Organization charges all support costs to each area based on the relative usage by each area.

**ST. STEPHEN'S COMMUNITY HOUSE**

**Notes to Financial Statements**

**Year ended March 31, 2016**

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**2. Summary of significant accounting policies - cont'd**

**Financial instruments**

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the Current Operating Fund.

Financial assets measured at amortized cost include cash, accounts receivable and short-term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

**3. Cash**

The Organization has available a demand operating credit facility in the amount of \$650,000 bearing interest at the bank's prime rate plus 0.50% per annum. This facility was \$Nil at year-end (2015 - \$Nil). The demand operating credit facility and all other obligations to the bank are secured by a collateral mortgage in the amount of \$1,230,000 providing a first fixed charge over the property located at 260 Augusta Avenue and replacement cost fire insurance.

The Organization is required to maintain a specified current ratio and EBITDA to interest expense ratio. As at year-end the Organization is compliant with these ratios.

**4. Cash in trust and due to trustee participants**

During the year, the Organization transferred funds held in trust on behalf of its trustee clients to an independent bank account. As of March 31, 2016, the Organization held funds in trust in the amount of \$102,069 (2015 - \$109,553) on behalf of its trustee clients. In the prior year, the amounts due to trustee clients were held in the Organization's operating bank account.

**ST. STEPHEN'S COMMUNITY HOUSE**

**Notes to Financial Statements**

**Year ended March 31, 2016**

**5. Short-term investments**

	Maturity Date	2016 Interest Rate	2016	2015
Guaranteed investment certificates	September 2016 to October 2016	1.31%-1.76%	\$ 2,571,601	\$ 551,505
Manulife savings account		1.16%	800,675	791,032
			<b>\$ 3,372,276</b>	<b>\$ 1,342,537</b>

**6. Capital assets**

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Buildings	2,915,744	2,004,550	911,194	1,056,978
	<b>3,515,744</b>	<b>2,004,550</b>	<b>1,511,194</b>	<b>1,656,978</b>
Furniture and equipment	746,642	546,281	200,361	241,608
Leasehold improvements	3,170,862	1,599,806	1,571,056	1,560,252
	<b>3,917,504</b>	<b>2,146,087</b>	<b>1,771,417</b>	<b>1,801,860</b>
<b>Total</b>	<b>\$ 7,433,248</b>	<b>\$ 4,150,637</b>	<b>\$ 3,282,611</b>	<b>\$ 3,458,838</b>

Total amortization recorded in the year amounted to \$493,251 (2015 - \$517,039) which has been prorated between the Current Operating Fund and the Property Fund based on the purpose of each fund as described in Note 2.

**ST. STEPHEN'S COMMUNITY HOUSE**

**Notes to Financial Statements**

**Year ended March 31, 2016**

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**7. Due to St. Stephen's Property House Corporation**

An amount of \$2,783 (2015 - \$7,814) is being held in trust for St. Stephen's House Property Corporation, an independent registered charitable organization that shares some directors in common with the Organization. St. Stephen's House Property Corporation leases a building (91 Bellevue Avenue) to the Organization for an annual rent of \$1.

**8. Wage subsidies**

The Organization has received the following amounts for wage subsidies and provincial wage enhancement ("PWE") from the City of Toronto:

	2016	2015
Wage subsidies received	\$ 420,284	\$ 420,287
PWE received	75,616	-
Wage subsidies and PWE expensed	(495,900)	(420,287)
	<u>\$ -</u>	<u>\$ -</u>

**ST. STEPHEN'S COMMUNITY HOUSE**

**Notes to Financial Statements**

**Year ended March 31, 2016**

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**9. Commitments**

The Organization has entered into agreements to lease premises for various periods until June 2021 and certain equipment until June 2020. Minimum lease payments (net of HST) for the next five years are as follows:

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2017	\$ 535,174
2018	483,626
2019	241,009
2020	193,247
2021	111,205
Subsequent	24,643

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\$ 1,588,904

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**10. Financial instruments**

**Credit risk**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Organization places its cash with high credit quality institutions.

It is management's opinion that the Organization is not subject to any other significant risks related to financial instruments.

**11. Comparative amounts**

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.