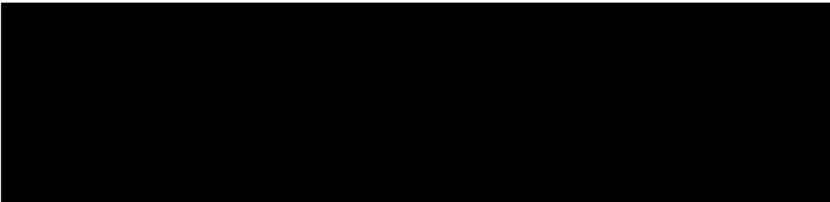




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**THE GOOD SHEPHERD CENTRE (HAMILTON)
HAMILTON, ONTARIO
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Good Shepherd Centre (Hamilton)

We have audited the accompanying financial statements of The Good Shepherd Centre (Hamilton), which comprise the balance sheet as at March 31, 2018 and the statements of revenue and expenditures, changes in net assets 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.

Auditors' 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 auditors' 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

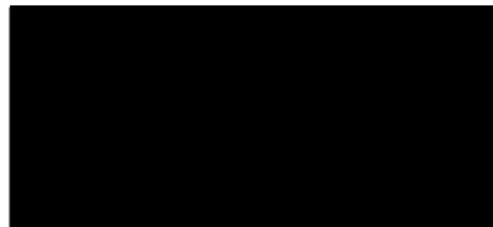
Basis for Qualified Opinion

In common with many charitable organizations, The Good Shepherd Centre (Hamilton) derives a portion of its revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of the The Good Shepherd Centre (Hamilton). Therefore, we were not able to determine whether, as at March 31, 2018 and for the years ended March 31, 2018 and March 31, 2017, any adjustments might be necessary to donations revenue and excess (deficiency of) revenue over expenditures reported on the statements of revenue and expenditures and changes in net assets, excess (deficiency of) revenue over expenditures reported on the statement of cash flows, and current assets and net assets reported on the balance sheet. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, these financial statements present fairly, in all material respects, the financial position of The Good Shepherd Centre (Hamilton) as at March 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

HAMILTON, ONTARIO
May 28, 2018



THE GOOD SHEPHERD CENTRE (HAMILTON)**Balance Sheet****As at March 31, 2018**

	2018	2017
ASSETS		
Current		
Accounts receivable (Notes 2 & 3)	\$ 740,602	\$ 580,686
Term deposit (Note 4)	-	13,632
Prepaid expenditures	<u>60,387</u>	<u>74,327</u>
	<u>800,989</u>	<u>668,645</u>
Intangible asset (Note 5)	7,490	7,490
Capital assets - housing projects (Note 6)	19,492,597	20,309,405
Other capital assets (Note 7)	271,125	301,008
Funds held in trust (Note 8)	283,238	267,632
Advances to related parties (Note 3)	<u>3,433,107</u>	<u>3,708,107</u>
	<u>23,487,557</u>	<u>24,593,642</u>
	<u>\$ 24,288,546</u>	<u>\$ 25,262,287</u>
LIABILITIES		
Current		
Bank indebtedness (Note 9)	\$ 1,017,263	\$ 552,010
Accounts payable and accrued liabilities (Note 3 & 10)	1,395,984	1,229,604
Government remittances payable	143,201	121,122
Current portion of deferred revenue (Note 11)	477,207	512,197
Current portion of loans payable to related parties (Note 10)	1,975,000	2,530,800
Current portion of long term debt (Note 12)	<u>483,068</u>	<u>3,152,000</u>
	<u>5,491,723</u>	<u>8,097,733</u>
Trust funds payable (Note 8)	283,238	267,632
Deferred revenue related to capital assets (Note 11)	12,768,972	13,443,366
Long term debt (Note 12)	<u>3,390,561</u>	<u>895,360</u>
	<u>16,442,771</u>	<u>14,606,358</u>
	<u>21,934,494</u>	<u>22,704,091</u>
NET ASSETS		
Unrestricted net assets (page 5)	<u>2,354,052</u>	<u>2,558,196</u>
	<u>\$ 24,288,546</u>	<u>\$ 25,262,287</u>
Commitments (Note 13)		
Contingencies (Note 14)		

On behalf of the Board:

Director

Director

(See Accompanying Notes)

THE GOOD SHEPHERD CENTRE (HAMILTON)
Statement of Revenue and Expenditures
Year Ended March 31, 2018

	2018	2017
Revenue		
Grants		
Ontario Ministry of Health and Long-Term Care	\$ 3,014,654	\$ 2,930,675
Ministry of Community and Social Services	2,855,580	3,420,049
City of Hamilton	6,760,090	6,552,798
Fees for services	185,045	355,550
Donations	3,661,492	2,670,588
Food donations	3,230,825	3,140,799
Rental revenue (Note 3)	159,509	180,248
Other revenue (Note 3)	<u>2,277,386</u>	<u>2,066,639</u>
	<u>22,144,581</u>	<u>21,317,346</u>
Expenditures		
Salaries and benefits (Page 22)	12,740,337	12,653,168
Program (Page 22)	1,658,284	1,685,206
Food (Page 22)	3,873,933	3,798,778
Building occupancy (Page 22)	1,688,518	1,752,479
Promotion and publicity (Page 22)	332,717	274,464
Program administration (Page 23)	641,879	630,463
One time expenditures (Note 3)	941,125	464,804
Financing costs (Page 23)	<u>238,977</u>	<u>276,194</u>
	<u>22,115,770</u>	<u>21,535,556</u>
Excess (deficiency of) revenue over expenditures before amortization of deferred revenue, amortization - housing projects and other capital assets and gain on sale of capital assets - housing projects	<u>28,811</u>	<u>(218,210)</u>
Amortization of deferred revenue (Note 11)	700,636	742,870
Amortization - housing projects and other capital assets (Note 6)	(933,493)	(991,856)
Gain on sale of capital assets - housing projects	-	551,052
	<u>(232,857)</u>	<u>302,066</u>
EXCESS (DEFICIENCY OF) REVENUE OVER EXPENDITURES	<u>\$ (204,046)</u>	<u>\$ 83,856</u>

(See Accompanying Notes and Schedules)

THE GOOD SHEPHERD CENTRE (HAMILTON)
Statement of Changes in Net Assets
Year Ended March 31, 2018

	2018	2017
Balance, beginning of year	\$ 2,558,196	\$ 2,474,340
Settlement of prior year funding	(98)	-
Excess (deficiency of) revenue over expenditures	<u>(204,046)</u>	<u>83,856</u>
Balance, end of year	<u>\$ 2,354,052</u>	<u>\$ 2,558,196</u>

(See Accompanying Notes)

THE GOOD SHEPHERD CENTRE (HAMILTON)
Statement of Cash Flows
Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency of) revenue over expenditures	\$ (204,046)	\$ 83,856
Items not involving a current cash flow:		
Amortization of deferred revenue	(700,636)	(742,870)
Amortization - housing projects and other capital assets	933,493	991,856
Gain on sale of capital assets - housing projects	-	(551,052)
Loss on sale of investment	-	5,222
Unrealized gain on fair value increase of investment	-	(27,753)
Reinvested investment income	-	(82)
Forgiveness of debt	-	(400,000)
	<u>28,811</u>	<u>(640,823)</u>
(Increase) decrease in accounts receivable	(159,915)	273,823
(Increase) decrease in prepaid expenditures	13,938	(29,635)
Increase (decrease) in accounts payable and accrued liabilities	166,383	(164,703)
Increase (decrease) in government remittances payable	22,079	8,158
Increase (decrease) in current portion of deferred revenue	(34,990)	(41,120)
Settlement of prior year funding	(98)	-
	<u>7,397</u>	<u>46,523</u>
Net cash provided by (used for) operating activities	<u>36,208</u>	<u>(594,300)</u>
INVESTING ACTIVITIES		
Proceeds on redemption of investments	13,632	90,652
Acquisition of capital assets	(86,803)	(187,268)
Proceeds on disposition of capital assets	-	950,000
(Increase) decrease in advances to related parties	275,000	-
Net cash provided by (used for) investing activities	<u>201,829</u>	<u>853,384</u>
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	465,253	(360,140)
Issue of loans payable to related parties	-	2,050,000
Repayment of loans payable to related parties	(555,800)	(250,000)
Repayment of long term debt	(173,732)	(1,780,701)
Increase (decrease) in deferred revenue related to capital assets	26,242	81,757
Net cash provided by (used for) financing activities	<u>(238,037)</u>	<u>(259,084)</u>
Increase (decrease) in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>

(See Accompanying Notes)

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

DESCRIPTION OF ORGANIZATION

The Good Shepherd Centre (Hamilton) is a non-share capital corporation, with letters patent, issued under the Corporations Act of the Province of Ontario in 1971. Its primary purpose is to feed, clothe and shelter the poor. As a result of its status as a registered charity, it is exempt from the payment of income taxes under Section 149(1) of the Income Tax Act (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) Cash

Cash includes cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

(b) Financial Instruments

(i) Measurement of Financial Instruments

Financial assets and liabilities are initially recognized at fair value except for certain non-arm's length transactions, that are measured at the carrying amount or exchange amount as appropriate, and their subsequent measurement is dependent on their classification as designated by The Good Shepherd Centre (Hamilton). Investments are subsequently measured at fair value with changes in fair value included on the statement of revenue and expenditures. Financial assets subsequently measured at amortized cost using the effective interest method include accounts receivable, funds held in trust and advances to related parties. Financial liabilities subsequently measured at amortized cost using the effective interest method include bank indebtedness, accounts payable and accrued liabilities, loans payable to related parties and long term debt.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write down is recognized in excess (deficiency of) revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess (deficiency of) revenue over expenditures.

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial Instruments (Continued)

(iii) Transaction Costs

The Good Shepherd Centre (Hamilton) recognizes its transaction costs in excess (deficiency of) revenue over expenditures in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(c) Prepaid Expenditures

Prepaid expenditures consist primarily of prepaid services and insurance.

(d) Investment and Investment Revenue

The organization had an investment of shares in a Canadian publicly traded company which were initially and subsequently measured at fair value, determined using quoted market prices. Investment purchases and sales transactions are accounted for on the settlement date. Transaction costs and net gains and losses arising from changes in fair value are immediately recognized in excess (deficiency of) revenue over expenditures. The guaranteed investment certificate (GIC) held is valued at cost plus accrued interest which approximates fair value. Investment revenue is recognized when earned. Investment revenue related to operations is accounted for under other revenue on the statement of revenue and expenditures and investment revenue earned on externally restricted funds is credited directly to the funds held on the balance sheet.

(e) Intangible Asset

The contributed intangible asset is a resort vacation time share and is recognized at the fair value at the date of contribution. When an estimate of fair value cannot reasonably be made, both the intangible asset and the related contribution, are recognized at nominal value. The excess of the net carrying amount over any residual value is recognized as an expenditure when the intangible asset no longer has any long term service potential to the organization.

(f) Capital Assets

Housing projects (land and buildings) are recorded at cost, except for real property acquired prior to April 1, 1994, which is recorded at its appraised value as of January and February, 1994. Contributed capital assets are recorded at fair value at the date of contribution.

Buildings are amortized on a diminishing balance basis over their estimated useful lives at a rate of 5% per annum, with the exception of the [REDACTED], Good Shepherd Square and Youth Home buildings, which are amortized on a straight line basis over twenty-five years. The cost of renovations to the buildings which significantly increase their useful lives and capacity are capitalized as part of the cost of the related capital assets. Renovation costs to adapt the buildings to changed operating conditions or to maintain efficiency are expensed as incurred.

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Capital Assets (Continued)

Other capital assets are recorded at cost with amortization calculated using the straight line method based on the estimated useful life of the asset. Vehicles are amortized over five years. Furniture and equipment are amortized over five to ten years. Leasehold improvements are amortized using the straight line method based on the remaining term of the lease.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized on the statement of revenue and expenditures when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

(g) Unrestricted Net Assets

Unrestricted net assets represents the accumulated surplus or deficiency. Annual individual program surpluses, if any, may be subject to recovery by the various government funders. Any such recovery is shown as an adjustment to unrestricted net assets on the statement of changes in net assets. Prior year revenue figures are not restated to reflect this recovery.

(h) Allocation of Expenditures

The organization records its expenditures by program.

Warehouse costs are allocated on a client use prorated basis for each program. Volunteer support costs are allocated on an hours worked prorated basis for each program. Administration costs are allocated based on a ratio of 9 - 10% of total gross revenue by program, excluding donation, promotion and fundraising revenue, not to exceed the administration charge permitted by programs funded by the Ontario Ministry of Community and Social Services (MCSS) and the Ontario Ministry of Health and Long-Term Care (MHLTC).

The excess of donation, promotion and fundraising revenue over expenditures is allocated to each program on the basis of offsetting any deficit in MCSS and MHLTC funded programs with the balance allocated pro rata to the deficit within all other programs, after one time funding for programs.

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue Recognition

The Good Shepherd Centre (Hamilton) follows the deferral method of accounting for donations and government grants.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Contributions externally restricted for capital assets are deferred and amortized on the same basis as the related capital asset.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The amount of a grant approximating the land cost of property is treated as a direct contribution to net assets. The building cost portion of a grant is treated as deferred revenue and is recognized as revenue on the same basis as the building to which it relates is amortized.

Fees for services, rental and other revenue are recognized when services are provided and collection is reasonably assured. Pledges are recorded as revenue when the funds are received.

(j) Contributed Materials and Services

The organization recognizes the contribution of materials and services at fair value when it can be reasonably estimated, when it is used in the normal course of operations and would otherwise have been purchased. Contributed investments are recorded in the financial statements at the fair value on the date of the donation. Volunteers assist the organization in carrying out certain activities. Due to the difficulty of determining the fair value to the organization, contributed services are not recognized in the financial statements and related financial statement notes.

(k) Food Donations

Provision has been made in these financial statements for the estimated fair value of donated food utilized during the year. This is treated as both food donation revenue and matching food expenditure.

(l) Related Party Transactions

Monetary or non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of operations. Transactions not in the normal course of operations, are measured at the exchange amount when there is a substantive change in the ownership of the item transferred or the benefit of the service provided is substantive and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenditures during the period reported. The significant estimates used in the preparation of the financial statements are the estimated useful lives of the buildings, vehicles, and furniture and equipment. These estimates are reviewed periodically and, as adjustments become necessary, are reported in the period in which they become known.

2. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Regional services	\$ 204,579	\$ 200,400
Bequests	130,000	200,000
Donations	148,690	21,801
Sundry	20,565	36,241
Related parties (<i>Note 3</i>)	209,219	93,622
Harmonized sales tax rebates	<u>27,549</u>	<u>28,622</u>
	<u>\$ 740,602</u>	<u>\$ 580,686</u>

3. ADVANCES TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS AND BALANCES

The Good Shepherd Centre (Hamilton) is related to Good Shepherd Non-Profit Homes Inc. (Homes), Good Shepherd Refuge Social Ministries Inc. and Good Shepherd (Hamilton) Trust Foundation. These organizations were established by the members of the religious order of Hospitaller Order of St. John of God Province of The Good Shepherd In North America (HOSJG) (previously known as The Little Brothers of the Good Shepherd (LBGS)). These financial statements do not include the assets, liabilities or activities of these organizations.

The Good Shepherd Centre (Hamilton) pays regular operating expenditures on behalf of related parties or has its regular operating expenditures paid by the related parties. This has produced net amounts receivable from related parties in the amount of \$16,598 (2017 - \$14,925).

THE GOOD SHEPHERD CENTRE (HAMILTON)**Notes to Financial Statements****Year Ended March 31, 2018****3. ADVANCES TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

The balances included in accounts receivable and accounts payable on the balance sheet are as follows:

	2018			2017
	Accounts Receivable	Accounts Payable	Net	Net
Good Shepherd Non-Profit Homes Inc.	\$ 168,733	\$ 85,150	\$ 83,583	\$ 39,953
HOSJG	40,486	104,495	(64,009)	(22,052)
Good Shepherd (Hamilton) Trust Foundation	-	2,976	(2,976)	(2,976)
	<u>\$ 209,219</u>	<u>\$ 192,621</u>	<u>\$ 16,598</u>	<u>\$ 14,925</u>

During the 2018 fiscal year, The Good Shepherd Centre (Hamilton) leased property to Good Shepherd Non-Profit Homes Inc. in the amount of \$70,000 (2017 - \$70,000), leased property from Shepherd Non-Profit Homes Inc. in the amount of \$81,240 (2017 - \$38,010) and was reimbursed \$60,000 (2017 - \$60,000) for food and clothing warehouse costs and interest expense in the amount of \$34,200 (2017 - \$62,700) related to a loan for which the proceeds were advanced to Good Shepherd Non-Profit Homes Inc. in a prior year for the Good Shepherd Square project.

These balances are reported under other revenue on the statement of revenue and expenditures. In addition, The Good Shepherd Centre (Hamilton) received and receipted donations in the amount of \$237,523 (2017 - \$199,001) which was transferred to Good Shepherd Non-Profit Homes Inc. These funds are reported under other revenue and the expenditure of funds given to Good Shepherd Non-Profit Homes Inc., a qualified donee for income tax purposes, is reported under other one time expenditures on the statement of revenue and expenditures. These transactions are in the normal course of operations and are measured at the exchange amount, the amount of consideration established and agreed to by the related parties.

There is a balance receivable in the amount of \$3,433,107 (2017 - \$3,708,107) related to advances provided by The Good Shepherd Centre (Hamilton) for the Good Shepherd Square project as at March 31, 2018 to Good Shepherd Non-Profit Homes Inc., which is unsecured and has no set repayment terms. Interest is charged on the outstanding advance as agreed to by both parties on an annual basis. The Good Shepherd Centre (Hamilton) will not demand payment in the next fiscal year.

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

4. TERM DEPOSIT

	<u>2018</u>	<u>2017</u>
0.50% GIC, maturing December, 2017	<u>\$ -</u>	<u>\$ 13,632</u>

5. INTANGIBLE ASSET

	<u>2018</u>	<u>2017</u>
Timeshare in vacation resort property	<u>\$ 7,490</u>	<u>\$ 7,490</u>

The Good Shepherd Centre (Hamilton) holds an investment in a time share resort vacation property which was recorded at its fair value of \$7,490 when it was donated to the organization during the 2013 fiscal year end. It is intended to be used as a prize each year in the organization's fundraising activities.

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

6. CAPITAL ASSETS - HOUSING PROJECTS

	2018			
	Land Cost or Appraised Value <i>(Note 1(f))</i>	Building Cost or Appraised Value <i>(Note 1(f))</i>	Building Accumulated Amortization	Net
Notre Dame House ████████████████████	\$ 39,400	\$ 1,441,408	\$ 800,588	\$ 680,220
Good Shepherd Square Women's Centre ████████████████████	553,749 1,798,500	12,764,636 -	3,563,267 -	9,755,118 1,798,500
Family Shelter ████████████████████	493,500	4,782,303	2,315,646	2,960,157
Men's Centre ████████████████████	175,500	14,500	6,566	183,434
Venture Centre (Warehouse) ████████████████████	215,100	2,282,629	1,308,883	1,188,846
Emmanuel Extension ████████████████████	574,450	2,094,060	317,721	2,350,789
Barrett Centre ████████████████████	-	2	-	2
	<u>42,775</u>	<u>910,413</u>	<u>377,657</u>	<u>575,531</u>
	<u>\$ 3,892,974</u>	<u>\$ 24,289,951</u>	<u>\$ 8,690,328</u>	<u>\$ 19,492,597</u>

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

6. CAPITAL ASSETS - HOUSING PROJECTS (Continued)

	2017			
	Land Cost or Appraised Value <i>(Note 1(f))</i>	Building Cost or Appraised Value <i>(Note 1(f))</i>	Building Accumulated Amortization	Net
Notre Dame House				
████████████████████	\$ 39,400	\$ 1,441,408	\$ 766,861	\$ 713,947
Good Shepherd Square				
Women's Centre	553,749	12,723,605	3,053,502	10,223,852
████████████████████	1,798,500	-	-	1,798,500
Family Shelter				
████████████████████	493,500	4,743,722	2,125,125	3,112,097
Men's Centre				
████████████████████	175,500	14,500	6,148	183,852
████████████████████	215,100	2,281,593	1,257,660	1,239,033
Venture Centre (Warehouse)				
████████████████████	574,450	2,094,060	233,959	2,434,551
Emmanuel Extension				
████████████████████	-	2	-	2
Barrett Centre				
████████████████████	42,775	910,413	349,617	603,571
	<u>\$ 3,892,974</u>	<u>\$ 24,209,303</u>	<u>\$ 7,792,872</u>	<u>\$ 20,309,405</u>

Current year amortization in the amount of \$933,493 (2017 - \$991,856) is included on the statement of revenue and expenditures.

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

7. OTHER CAPITAL ASSETS

	<u>2018</u>			<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Leasehold improvements - (Good Shepherd Square - Offices)	\$ 89,172	\$ 4,459	\$ 84,713	\$ 83,016
Vehicle	111,047	111,047	-	-
Furniture and equipment	<u>297,248</u>	<u>110,836</u>	<u>186,412</u>	<u>217,992</u>
	<u>\$ 497,467</u>	<u>\$ 226,342</u>	<u>\$ 271,125</u>	<u>\$ 301,008</u>

8. FUNDS HELD IN TRUST/TRUST FUNDS PAYABLE

A number of individuals use The Good Shepherd Centre (Hamilton) as their home address in order to receive various government assistance payments. These trust funds are held and managed by The Good Shepherd Centre (Hamilton) on behalf of these individuals.

9. BANK INDEBTEDNESS

The organization has a revolving demand credit line with a \$1,500,000 (2017 - \$1,000,000) limit of which \$753,547 (2017 - \$617,036) was unused at year end. Interest is calculated at bank prime rate plus .5% per annum and is payable monthly. The security for this operating line includes a general security agreement on all present and future acquired personal property of The Good Shepherd Centre (Hamilton) and a \$1,500,000 fixed collateral mortgage on the [REDACTED] property plus an assignment of fire and other perils insurance, with loss payable to the bank.

Bank indebtedness is represented by:

	<u>2018</u>	<u>2017</u>
Operating line	\$ (746,453)	\$ (382,964)
Outstanding cheques	(287,845)	(186,617)
Cash balance	5,735	6,271
Petty cash	<u>11,300</u>	<u>11,300</u>
	<u>\$ (1,017,263)</u>	<u>\$ (552,010)</u>

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

10. LOANS PAYABLE TO RELATED PARTIES

	<u>2018</u>	<u>2017</u>
0% unsecured promissory note, payable to HOSJG, \$200,000 maturing March 31, 2019 (2017 - \$100,000 payable in U.S.\$ due June 30, 2017 and \$300,000 due March 31, 2019 maturing March 31, 2018)	\$ 200,000	\$ 480,800
2.7% unsecured promissory note, payable to HOSJG, maturing September 30, 2018 (2017 - September 30, 2017)	1,500,000	1,500,000
1.83% unsecured promissory note, payable to Good Shepherd Refuge Social Ministries Inc., maturing March 31, 2019 (2017 - March 31, 2018)	<u>275,000</u>	<u>550,000</u>
	<u>1,975,000</u>	<u>2,530,800</u>
Current portion	<u>1,975,000</u>	<u>2,530,800</u>
	<u>\$ -</u>	<u>\$ -</u>

During the year, interest in the amount of \$50,565 (2017 - \$13,500) was incurred related to these loans of which \$64,065 (2017 - \$13,500) is included in accounts payable and accrued liabilities as at March 31, 2018.

11. DEFERRED REVENUE

Current portion of deferred revenue represents the unexpended portion of designated grants received that are related to expenditures of subsequent periods.

Deferred revenue related to capital assets represents restricted contributions received for the acquisition of capital assets which will be recognized as revenue in accordance with *Note 1(i)*.

	<u>2018</u>	<u>2017</u>
Current Portion of Deferred Revenue		
Balance, beginning of year	\$ 512,197	\$ 553,317
Net (decrease) increase	<u>(34,990)</u>	<u>(41,120)</u>
Balance, end of year	<u>\$ 477,207</u>	<u>\$ 512,197</u>
Deferred Revenue Related to Capital Assets		
Balance, beginning of year	\$ 13,443,366	\$ 14,681,894
Restricted funding received for capital assets	134,081	256,593
Restricted funding received for Good Shepherd Square housing project capital campaign	(107,839)	(174,836)
Less unamortized funding related to sale of capital asset	-	(577,415)
Less amortized to current revenue	<u>(700,636)</u>	<u>(742,870)</u>
Balance, end of year	<u>\$ 12,768,972</u>	<u>\$ 13,443,366</u>

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

12. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
████████████████████ (Good Shepherd Venture Centre)		
4.500% first mortgage payable, repayable in blended monthly instalments of \$8,965, maturing April 16, 2028	\$ 872,199	\$ 939,265
████████████████████, Hamilton (Barrett Centre)		
7.875% Canada Mortgage and Housing Corporation mortgage payable, repayable in blended monthly instalments of \$501, maturing December, 2022	23,774	27,775
████████████████████ (Family Shelter)		
5.25% Tandia Financial Credit Union commercial (collateral second mortgage), repayable in blended monthly instalments of \$15,228, maturing March 31, 2023 (2017 - maturing March 31, 2018)	1,477,656	1,580,320
<u>Good Shepherd Square</u>		
2.28% City of Hamilton, unsecured bridge loan, repayable in annual principal payments of \$300,000 plus interest beginning November 30, 2018, maturing November 30, 2022. (2017 - annual principal payments plus interest beginning November 30, 2013, maturing November 30, 2017. The first principal payment is \$500,000 with annual payments increasing \$250,000 annually every November 30)	<u>1,500,000</u>	<u>1,500,000</u>
	<u>3,873,629</u>	<u>4,047,360</u>
Principal payments due within the next year	<u>483,068</u>	<u>3,152,000</u>
	<u>\$ 3,390,561</u>	<u>\$ 895,360</u>

Principal payments scheduled within the next five years are as follows:

2019	-	\$ 483,068
2020	-	\$ 491,462
2021	-	\$ 501,276
2022	-	\$ 511,602
2023	-	\$ 1,397,623

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

12. LONG TERM DEBT (Continued)

All mortgages, except the commercial loan, are secured by a first mortgage charge on the indicated specific properties.

The commercial loan is secured by the following:

- (i) a second collateral mortgage on [REDACTED]
- (ii) a general assignment of rental revenue earned on the property
- (iii) a general security agreement representing a second fixed and floating charge over the assets and undertakings of the organization for the property and new assets acquired in the future on the property
- (iv) an assignment of fire insurance and loss perils over the assets and assignment of the lender as second loss payee
- (v) postponement and subordination of all non arm's length creditor's and related party loans, to include the right to receive any payment of principal under the said loans without the prior consent of the lender.

13. COMMITMENTS

Future minimum lease payments under vehicle and building leases are as follows:

2019	\$ 198,935
2020	\$ 194,771
2021	\$ 187,977
2022	\$ 166,335
2023	\$ 155,040

Effective February 1, 2017 The Good Shepherd Centre (Hamilton) entered a twenty year building lease with Good Shepherd Non-Profit Homes Inc. whereby minimum rent is adjusted annually on April 1 of each year commencing with April 1, 2018, in accordance with the Consumer Price Index for Canada as at the end of the preceding December.

14. CONTINGENCIES

During the March 31, 2012 fiscal year, The Good Shepherd Centre (Hamilton) and The Good Shepherd Non-Profit Homes Inc. were named as defendants in a lawsuit by an architectural firm, pursuant to the construction of a housing project known as Good Shepherd Square. In the original statement of claim the plaintiff is claiming payment in the amount of \$410,103, being the sum it alleges is owing by the organization under its contract to construct the housing project, and \$40,968 in prejudgement interest, in accordance with the provisions of the contract. The defendants are countersuing, alleging they incurred damages from various revisions required due to delays, deficiencies and omission of various requirements under the Building Code Act. The defendants are countersuing for damages, the loss of rental revenue for the period from July 2012 thereon, plus costs of this legal action. As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this lawsuit. The Good Shepherd Centre (Hamilton) cannot estimate the impact of this lawsuit with certainty and therefore nothing has been accrued in the financial statements for the year ended March 31, 2018.

15. FINANCIAL INSTRUMENTS

The Good Shepherd Centre (Hamilton) is exposed to various risks through its financial instruments. The following analysis provides a measure of The Good Shepherd Centre (Hamilton)'s risk exposure and concentrations at March 31, 2018:

(a) Credit Risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The organization determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is exposed to interest rate risk and currency risk.

(c) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization holds a US promissory note payable as described in *Note 10*. This loan is of a short term nature and management does not believe it represents a significant risk to the organization. The organization does not currently use derivative instruments to reduce its exposure to foreign currency risk.

(d) Interest Rate Risk

The organization is exposed to interest rate risk on its fixed interest rate financial instruments. At March 31, 2018 the organization had fixed interest rate mortgages as described in *Note 12* and two fixed rate promissory notes payable as described in *Note 10*. Fixed rate instruments subject the organization to a fair value risk while the floating interest rate instrument subjects it to a cash flow risk. Fluctuations in interest rates will impact the cost of financing incurred currently and in the future.

(e) Liquidity Risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect to its bank indebtedness, accounts payable and accrued liabilities, government remittances payable, loans payable to related parties and long term debt.

The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities. The organization has a short term bank facility of up to \$1,500,000 (2017 - \$1,000,000) in place as described in *Note 9*, should it be required to meet temporary fluctuations in cash requirements.

THE GOOD SHEPHERD CENTRE (HAMILTON)
Notes to Financial Statements
Year Ended March 31, 2018

15. FINANCIAL INSTRUMENTS (Continued)

Unless otherwise noted there have been no changes to the risk exposures noted above from the prior year.

16. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

THE GOOD SHEPHERD CENTRE (HAMILTON)
Schedule of Expenditures
Year Ended March 31, 2018

	2018	2017
Salaries and Benefits		
Salaries	\$ 10,929,069	\$ 10,953,919
Stipends	1,139	4,530
Employee benefits	<u>1,810,129</u>	<u>1,694,719</u>
	<u>\$ 12,740,337</u>	<u>\$ 12,653,168</u>
Program		
General program expenditures	\$ 928,083	\$ 889,675
Transportation	234,519	261,588
Purchase of services	476,473	515,507
Program insurance	<u>19,209</u>	<u>18,436</u>
	<u>\$ 1,658,284</u>	<u>\$ 1,685,206</u>
Food		
Food purchases	\$ 643,108	\$ 657,979
Food donations	<u>3,230,825</u>	<u>3,140,799</u>
	<u>\$ 3,873,933</u>	<u>\$ 3,798,778</u>
Building Occupancy		
Rent <i>(Note 3)</i>	\$ 281,480	\$ 225,962
Apartment rentals	461,129	435,509
Utilities	515,314	558,836
Repairs and maintenance	373,012	479,043
Property insurance	53,682	48,682
Property taxes	<u>3,901</u>	<u>4,447</u>
	<u>\$ 1,688,518</u>	<u>\$ 1,752,479</u>
Promotion and Publicity		
Newsletters	\$ 23,499	\$ 14,101
Special events	235,012	189,424
Direct appeals	51,512	43,952
Donors	<u>22,694</u>	<u>26,987</u>
	<u>\$ 332,717</u>	<u>\$ 274,464</u>

(See Accompanying Notes)

THE GOOD SHEPHERD CENTRE (HAMILTON)
Schedule of Expenditures (Continued)
Year Ended March 31, 2018

	2018	2017
Program Administration		
Recruitment and education	\$ 98,404	\$ 105,847
Postage and courier	94,285	71,107
Stationery and supplies	143,698	157,871
Office equipment	14,587	22,899
Computer	160,809	130,084
Communications	91,165	101,346
Professional fees	28,741	32,742
Meeting expenditures	10,190	8,567
	<u>\$ 641,879</u>	<u>\$ 630,463</u>
Financing Costs		
Mortgage interest	\$ 156,792	\$ 217,911
Other long term debt interest <i>(Note 10)</i>	50,565	13,500
Bank and interest charges	31,620	44,783
	<u>\$ 238,977</u>	<u>\$ 276,194</u>

(See Accompanying Notes)

THE GOOD SHEPHERD CENTRE (HAMILTON)
Schedule of Allocation of Expenditures to Programs
Year Ended March 31, 2018

	2018	2017
Warehouse Allocation to Programs		
Family Services	\$ 120,000	\$ 110,000
Men's Centre	231,362	243,190
Palliative Care/Community Support Services	-	3,500
Women's Centre	160,000	146,000
Youth Services	<u>94,000</u>	<u>91,000</u>
	<u>\$ 605,362</u>	<u>\$ 593,690</u>
Volunteer Support Allocation to Programs		
Family Services	\$ 5,000	\$ 5,000
Men's Centre	132,655	134,459
Palliative Care/Community Support Services	4,000	3,500
Women's Centre	23,000	20,200
Youth Services	<u>7,500</u>	<u>7,000</u>
	<u>\$ 172,155</u>	<u>\$ 170,159</u>
Administrative Office Allocation to Programs		
Family Services	\$ 150,700	\$ 153,202
Men's Centre	90,000	93,238
Palliative Care/Community Support Services	138,000	138,000
Women's Centre	342,071	308,200
Youth Services	<u>205,007</u>	<u>239,690</u>
	<u>\$ 925,778</u>	<u>\$ 932,330</u>

THE GOOD SHEPHERD CENTRE (HAMILTON)
Schedule of Allocation of Donation and Fundraising Revenue to Programs
Year Ended March 31, 2018

	2018	2017
Family Services	\$ (23,972)	\$ (25,565)
Men's Centre	(779,869)	(408,085)
Palliative Care/Community Support Services	(107,134)	(54,456)
Women's Centre	(356,814)	(356,704)
Youth Services	(537,673)	(560,501)
Venture Centre	(90,114)	-
	<u>\$ (1,895,576)</u>	<u>\$ (1,405,311)</u>