

Women's Hostels Incorporated

Financial Statements

March 31, 2019



Clarkson Rouble LLP

Chartered Professional Accountants

Independent Auditors' Report

To the Members of

Women's Hostels Incorporated

Qualified Opinion

We have audited the financial statements of **Women's Hostels Incorporated** (the Organization), which comprise the statement of financial position as at **March 31, 2019** and **2018**, the statements of revenue and expenses, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019 and 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, **Women's Hostels Incorporated** derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to the donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Women's Hostels Incorporated

Independent Auditor's Report

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Clarkson Rouble LLP

Mississauga, Ontario
August 13, 2019

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

Women's Hostels Incorporated

Statement of Financial Position As at March 31

	2019	2018
Assets		
Current		
Cash and short term deposits	\$ 1,004,399	\$ 616,650
Accounts receivable	63,449	45,543
Accounts receivable from MCCSS for construction costs	579,750	-
HST rebate receivable	108,025	21,807
Prepaid expenses	15,838	12,003
	<u>1,771,461</u>	<u>696,003</u>
Capital assets (Note 2)	<u>7,346,290</u>	<u>378,056</u>
	<u>\$ 9,117,751</u>	<u>\$ 1,074,059</u>

Liabilities

Current		
Accounts payable and accrued charges	\$ 1,088,182	\$ 97,826
Deferred capital contributions (Note 3)	6,995,017	270,000
Deferred revenue	21,141	10,695
	<u>8,104,340</u>	<u>378,521</u>

Net Assets

Net assets invested in capital assets (Note 4)	351,273	258,619
Net assets internally restricted for contingencies (Note 5)	335,000	285,000
Net assets replacement reserve fund (Note 6)	100,000	60,000
Net assets restricted for Mary Prichard fund (Note 9)	4,110	3,000
Unrestricted net assets	<u>223,028</u>	<u>88,919</u>
	<u>1,013,411</u>	<u>695,538</u>
	<u>\$ 9,117,751</u>	<u>\$ 1,074,059</u>

See accompanying notes to financial statements

On behalf of the Board:



Director



Director

Women's Hostels Incorporated

Statement of Operations Year Ended March 31

	2019	2018
Revenue		
Government grants	\$ 1,488,366	\$ 1,271,912
City of Toronto - per diem	229,582	229,456
City of Toronto - personal needs allowance	24,402	37,069
City of Toronto - Investing in Neighbourhoods	58,085	65,071
United Way funding	231,787	231,787
Donations and fundraising	574,990	462,863
Bequests	181,599	25,061
Interest and other	69,976	3,150
	<u>2,858,787</u>	<u>2,326,369</u>
Expenses (Schedule A)		
Property	300,027	187,903
Administration	164,046	173,401
Staffing	1,727,639	1,656,033
Clients	220,571	220,566
Repairs and maintenance - special projects	78,708	36,914
	<u>2,490,991</u>	<u>2,274,817</u>
Excess of revenue over expenses from operations	<u>367,796</u>	<u>51,552</u>
Amortization of capital assets	<u>(49,033)</u>	<u>(49,677)</u>
Deficiency of revenue over expenses from capital assets	<u>(49,033)</u>	<u>(49,677)</u>
Funds received for Mary Prichard Fund	1,040	1,250
Outlays from Mary Prichard Fund	<u>(1,930)</u>	<u>(1,705)</u>
Deficiency of revenue over expenses for Mary Prichard Fund	<u>(890)</u>	<u>(455)</u>
Excess of revenue over expenses for the year	<u>\$ 317,873</u>	<u>\$ 1,420</u>

See accompanying notes to financial statements

Women's Hostels Incorporated

Statement of Changes in Net Assets Year Ended March 31

		Invested in Capital Assets	Replacement Reserve Fund	Internally Restricted for Contingencies	Mary Prichard Fund	Unrestricted	2019 Total	2018 Total
Balances, beginning of year	\$	258,619	\$ 60,000	\$ 285,000	\$ 3,000	\$ 88,919	\$ 695,538	\$ 694,118
Excess (deficiency) of revenue over expense		(49,033)	-	-	(890)	367,796	317,873	1,420
Changes in net assets invested in capital assets (Note 4)		141,687	-	-	-	(141,687)	-	-
Transfer of funds		-	40,000	50,000	2,000	(92,000)	-	-
Balances, end of year	\$	351,273	\$ 100,000	\$ 335,000	\$ 4,110	\$ 223,028	\$ 1,013,411	\$ 695,538

See accompanying notes to financial statements

Women's Hostels Incorporated

Statement of Cash Flows Year Ended March 31

	2019	2018
Cash provided by operating activities		
Excess of revenue over expenses	\$ 317,873	\$ 1,420
Items not requiring an outlay of cash		
Amortization	49,033	49,677
	<u>366,906</u>	<u>51,097</u>
Changes in non-cash working capital		
Accounts receivable	(17,906)	(5,208)
HST rebate receivable	(86,218)	5,179
Accounts receivable from MCCSS for construction costs	(579,750)	-
Prepaid expenses	(3,835)	4,258
Accounts payable and accrued liabilities	990,356	12,717
Deferred revenue	10,446	(10,782)
	<u>679,999</u>	<u>57,261</u>
Increase from operating activities		
	<u>679,999</u>	<u>57,261</u>
Financing activity		
Deferred capital contributions	6,725,017	270,000
	<u>6,725,017</u>	<u>270,000</u>
Investing activity		
Additions to capital assets	(7,017,267)	(119,437)
	<u>(7,017,267)</u>	<u>(119,437)</u>
Increase in cash	387,749	207,824
Cash, beginning of year	616,650	408,826
	<u>616,650</u>	<u>408,826</u>
Cash, end of year	\$ 1,004,399	\$ 616,650
	<u>\$ 1,004,399</u>	<u>\$ 616,650</u>

See accompanying notes to financial statements

Women's Hostels Incorporated

Notes to Financial Statements

March 31, 2019

Women's Hostels Incorporated's Mission is to operate programs and services for women and children who have and are experiencing oppressions such as violence, poverty and homelessness. The organization's is a community based feminist organization which operates within an anti-racist, anti-oppression framework. The organization is committed to social change through education and advocacy, to achieve social justice for all women and children.

In accordance with its objectives, the corporation operates a shelter for women and children and provides community support outreach services during the year.

1. Significant accounting policies

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

a) Revenue recognition

Restricted grants for the acquisition of capital assets are deferred and recognized as revenue of the capital fund on the same basis as the amortization expense relating to these capital assets. Revenues from operating grants are recognized as they are received or become receivable. Other revenues are recognized as they are received.

Investment income is recognized on an accrual basis.

Special events revenue is recognized on completion of the event.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short term investments, which are redeemable or have maturity dates of less than 90 days. Redeemable term deposits are classified as cash equivalents. They are stated at cost, which together with accrued interest income approximates fair value given the short term nature of these investments.

c) Capital assets

Capital assets are recorded at cost. The organization amortizes its capital assets over their estimated future lives on the following annual basis:

Building	5%	declining balance
Building betterments	5%	straight line
Equipment	20%	declining balance

Women's Hostels Incorporated

Notes to Financial Statements

March 31, 2019

1. Significant accounting policies (continued)

d) Prepaid expenses

Prepaid expenses consist primarily of deposits and other costs incurred prior to special events and meetings held subsequent to year end. The remaining balance consists of prepaid rent and insurance.

e) Impairment of long-lived assets

A long lived asset is tested for impairment whenever events or changes in circumstances indicated that its carrying amount may not be recoverable. An impairment loss is recognized 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 long-lived asset exceeds its fair value.

f) Donated capital assets

Donated capital assets are recorded at fair value when fair value can reasonably be estimated and when such value is significant.

g) Donated materials and services

The value of donated materials and services is not recorded.

h) Financial instruments

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

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

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

The organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Women's Hostels Incorporated

Notes to Financial Statements

March 31, 2019

1. Significant accounting policies (continued)

h) Financial instruments (continued)

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred except for financial instruments that will not be subsequently measured at fair value. The carrying amounts of these instruments are adjusted by the transaction costs that are directly attributable to their issuance.

i) Measurement uncertainty

The preparation of Organization's financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accounts receivable, accrued liabilities and the estimated useful lives of capital assets. Actual results could differ from those estimates.

2. Capital assets

	2019		2018	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and building	\$ 369,023	\$ 235,736	\$ 133,287	\$ 138,599
Building betterments	845,366	774,880	70,486	112,754
Equipment	195,293	189,480	5,813	7,266
Acquisition and construction costs for Pape property	7,136,704	-	7,136,704	119,437
	\$ 8,546,386	\$ 1,200,096	\$ 7,346,290	\$ 378,056

The acquisition and construction costs for the Pape shelter are not being amortized. The amortization of the property will commence upon completion of the construction.

Women's Hostels Incorporated

Notes to Financial Statements

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3. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants received from government sources for the purchase of the Pape shelter land and building and for major renovations of the building. The amortization of deferred capital contributions is recorded as capital contributions in the statement of operations and changes in unrestricted net assets.

Amortization of the current year capital contributions has not been taken as the renovations are not yet completed and the shelter is not yet available for use.

	2019	2018
Balance, beginning of year	\$ 270,000	\$ -
Add contributions used for capital purposes	6,725,017	270,000
Balance, end of year	\$ 6,995,017	\$ 270,000

4. Net assets invested in capital assets

The net assets invested in capital assets consists of the following:

	2019	2018
Capital assets, net of accumulated amortization	\$ 7,346,290	\$ 378,056
Cash	-	150,563
Deferred capital contributions	(6,995,017)	(270,000)
	\$ 351,273	\$ 258,619

The change in net assets invested in capital assets is calculated as follows:

	2019	2018
Purchase of capital assets	\$ 7,017,267	\$ (119,437)
Deferred capital contributions	(6,725,017)	119,437
Cash from prior year	(150,563)	-
Change in net assets invested in capital assets	\$ 141,687	\$ -

Women's Hostels Incorporated

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5. Net assets restricted for contingencies

Internally restricted funds are comprised of a \$335,000 (2018 - \$285,000) contingency reserve established by the board of directors for possible future reductions in income resulting from such events as fire or quarantine.

6. Net assets replacement reserve fund

The mortgage agreement with CMHC required an annual contribution to this net asset fund to cover any capital costs for the property under mortgage. The mortgage was repaid in 2014. This fund is no longer externally restricted by the CMHC. The Board of Directors has elected to maintain this reserve and the funds are to be used to pay for any capital purchases or replacements at the shelter.

7. Incorporation and income taxes

The corporation was incorporated, under The Laws of Ontario, on September 17, 1973, as a not-for-profit corporation without share capital. It is designated as a charitable organization and is exempt from taxation under The Income Tax Act. As such, all the resources of the corporation are devoted to charitable activities carried on by the corporation itself and no part of the income is payable to, or is otherwise available for, the personal benefit of any member.

8. Economic dependence

The ongoing operations of the corporation are dependent on the fee for service agreement with the City of Toronto and on grant agreements with the Ministry of Community, and Social Services. Revenue under these agreements comprise 63% (2018 - 69%) of total revenues.

9. Mary Prichard fund

The Mary Prichard Fund was established to assist women in transition from the shelter to a self sustaining existence. The fund was established with the expectation that fifty percent of the funds received by the clients would be repaid at a future date in order that the fund would continue to provide assistance for women in need.

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10. Lease commitments

The Community Support Program and administration operate in leased premises under a long-term lease which expires on February 28, 2024 requiring annual rentals as follows, plus a proportionate share of realty taxes.

2020	\$	85,097
2021		85,511
2022		90,500
2023		95,780
2024		84,066

11. Financial instruments risk exposure

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to accounts receivable, however the risk is limited due to the nature of its accounts receivable. Contributions are not recorded in receivables unless collection is reasonably assured. The organization has not had issues with these collections over the past several years. The allowance for doubtful accounts is \$Nil (2018 - \$Nil).

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 of its accounts payable. The organization expects to meet these obligations as they come due through sufficient cash flow from operations. The organization has not had issues with meeting obligations in the past several years.

Market risk

Market risk is the risk that the fair value of 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.

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11. Financial instruments risk exposure (continued)

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments will fluctuate because of changes in market interest rates. The exposure of the organization to interest rate risk arises from the possibility that changes in interest rates will affect the value of short term investments held by the organization. The organization manages this risk by holding redeemable term deposits.

12. Contract with the Ministry of Children, Community and Social Services

The Organization has a service contract with the Ministry of Community, and Social Services (MCCSS), in which one requirement of the contract is the production by Management of a Transfer Payment Annual Reconciliation (TPAR) which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the contract. The following is the surplus/deficit position for the year ended March 31, 2019 on each of the contracts:

Project Code #	Project Code Name	MCCSS Funding	Net Expenses	Surplus (Deficit)
8771	VAW Emergency Shelter	\$ 1,097,094	\$ 1,097,094	\$ -
8779	VAW Transitional and Housing Support	136,762	136,762	-
8783	BPS Other - Adults' Social Services	16,845	16,845	-
8786	VAW Capacity Building	7,500	7,500	-

13. Subsequent events

On May 28, 2018, the organization purchased a building which required renovations to replace the current shelter for \$5,700,000 plus costs. The organization has commenced the preparation for the construction phase. The organization has received \$6,415,267 from the Ministry of Community and Social Services for the purchase and for future improvement costs. The Ministry has committed a further \$5,584,733 to the construction of the renovated shelter for a total funding amount of \$12,000,000. The estimated renovation construction costs are \$7,900,000. This will be funded with the Ministry funds note above and the sale of the current shelter. Any additional required funds will be raised through fundraising and/or obtaining financing.

Women's Hostels Incorporated**Schedule A****Schedule of Expenses
Year Ended March 31**

	2019	2018
Property		
Insurance	7,960	13,454
Maintenance and repairs	106,251	24,350
Utilities	35,309	35,407
Furniture and equipment rent	46,943	13,028
Rent and property taxes	103,564	101,664
	<u>300,027</u>	<u>187,903</u>
Administration		
Fundraising	67,761	59,432
Office supplies and sundries	42,207	28,182
Purchased services	35,893	64,958
Telephone	18,185	20,829
	<u>164,046</u>	<u>173,401</u>
Staffing		
Salaries	1,423,704	1,365,309
Benefits	268,693	272,217
Staff travel	5,627	5,394
Staff development	29,615	13,113
	<u>1,727,639</u>	<u>1,656,033</u>
Clients		
Food	73,949	70,962
Household supplies	43,107	38,397
Personal items	45,638	52,807
Transportation	32,959	34,788
Programs	24,918	23,612
	<u>220,571</u>	<u>220,566</u>
Repairs and maintenance - special projects	<u>78,708</u>	<u>36,914</u>
Total expenses	<u>\$ 2,490,991</u>	<u>\$ 2,274,817</u>