

ST. STEPHEN'S COMMUNITY HOUSE

Financial Statements

Year ended March 31, 2018

ST. STEPHEN'S COMMUNITY HOUSE
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March 31, 2018

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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, 2018, 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, 2018, 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 28, 2018

ST. STEPHEN'S COMMUNITY HOUSE

Statement of Financial Position

March 31, 2018

	2018	2017
Assets		
Current		
Cash (Note 3)	\$ 2,716,728	\$ 1,467,799
Cash in trust (Note 4)	115,709	108,768
Short-term investments (Note 5)	2,592,275	3,391,113
Accounts receivable	1,293,504	799,369
Prepaid expenditures	103,534	90,776
	6,821,750	5,857,825
Capital assets		
Land and buildings (Note 6)	1,219,626	1,365,410
Other (Note 6)	1,898,240	1,942,499
	3,117,866	3,307,909
	\$ 9,939,616	\$ 9,165,734
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,757,060	\$ 1,990,157
Due to trustee participants (Note 4)	115,709	108,768
Due to St. Stephen's Property House Corporation (Note 7)	2,861	2,822
Deferred contributions (Notes 8 and 9)	1,158,956	232,121
	3,034,586	2,333,868
Fund balances		
Property Fund	3,797,996	3,837,217
General Reserve Fund	3,107,034	2,994,649
	6,905,030	6,831,866
	\$ 9,939,616	\$ 9,165,734

Approved on behalf of the Board:



Director



Director

ST. STEPHEN'S COMMUNITY HOUSE**Statement of Current Operating Fund****Year Ended March 31, 2018**

	2018	2017
Revenue		
Fees		
City of Toronto	\$ 2,472,093	\$ 2,236,137
Parents' daycare fees	1,765,906	1,438,189
Grants and donations		
Province of Ontario	6,366,320	6,286,797
Federal government	2,308,673	2,163,993
City of Toronto (Note 9)	2,056,682	1,881,526
United Way	989,574	887,378
Donations and other grants	631,920	571,783
Social enterprise	398,840	428,681
Interest and sundry income	80,285	80,626
	17,070,293	15,975,110
Expenditures		
Salaries and employee benefits (Notes 9 and 10)	11,969,264	11,212,327
Building occupancy	1,362,256	1,264,474
Purchased services	884,965	1,019,104
Trainee remuneration	998,994	851,449
Program supplies	540,960	543,448
Office and general	352,330	300,103
Food services	333,481	298,172
Amortization on building and leasehold improvements used for programs (Note 6)	254,461	192,875
Promotion	72,065	93,706
Employee recruitment and training	78,755	64,327
Transportation and travel	39,538	43,775
Audit and legal	52,741	41,797
Memberships	18,098	14,002
	16,957,908	15,939,559
Excess of revenue over expenditures	112,385	35,551
Current Operating Fund, beginning of year	-	-
Transfer to General Reserve Fund (Note 2)	(112,385)	(35,551)
Current Operating Fund, end of year	\$ -	\$ -

ST. STEPHEN'S COMMUNITY HOUSE

Statement of Property Fund

Year Ended March 31, 2018

	2018	2017
Revenue		
Grants and donations		
Donations	\$ 140,583	\$ -
Federal government	23,564	-
Other revenue	14,519	1,291
Province of Ontario	8,300	8,300
City of Toronto	-	55,093
	186,966	64,684
Expenditures		
Amortization of assets other than building and leasehold improvements used for programs (Note 6)	223,403	278,191
Moving	2,784	25,966
	226,187	304,157
Excess of expenditures over revenue	(39,221)	(239,473)
Property Fund, beginning of year	3,837,217	4,076,690
Property Fund, end of year	\$ 3,797,996	\$ 3,837,217
Net assets of Property Fund are as follows:		
Capital assets		
Land and buildings (Note 6)	\$ 1,219,626	\$ 1,365,410
Furniture, equipment and leasehold improvements (Note 6)	1,898,240	1,960,715
Cash included in cash and investments	571,008	411,662
Cash held for Supportive Housing	109,122	99,430
	\$ 3,797,996	\$ 3,837,217

ST. STEPHEN'S COMMUNITY HOUSE

Statement of General Reserve Fund

Year Ended March 31, 2018

	2018	2017
General Reserve Fund, beginning of year	\$ 2,994,649	\$ 2,959,098
Transfer from Current Operating Fund (Note 2)	112,385	35,551
General Reserve Fund, end of year	\$ 3,107,034	\$ 2,994,649

ST. STEPHEN'S COMMUNITY HOUSE

Statement of Cash Flows

Year ended March 31, 2018

	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures		
Current Operating Fund	\$ 112,385	\$ 35,551
Property Fund	(39,221)	(239,473)
Amortization	477,864	471,066
	551,028	267,144
Change in non-cash working capital items		
Accounts receivable	(494,135)	115,490
Prepaid expenditures	(12,758)	39,899
Accounts payable and accrued liabilities	(233,097)	225,212
Due to trustee participants	6,941	6,699
Due to St. Stephen's Property House Corporation	39	39
Deferred contributions	926,835	122,259
	744,853	776,742
Investing activities		
Change in short-term investments	798,838	(18,837)
Purchase of capital assets	(287,821)	(496,364)
	511,017	(515,201)
Change in cash position	1,255,870	261,541
Cash, beginning of year	1,576,567	1,315,026
Cash, end of year	\$ 2,832,437	\$ 1,576,567
Cash represented by		
Cash	\$ 2,716,728	\$ 1,467,799
Cash in trust	115,709	108,768
	\$ 2,832,437	\$ 1,576,567

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2018

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 in the City of Toronto to identify, prevent and eliminate social and economic inequality by creating and providing a range of effective and innovative programs. Existing programs aim to assist the most vulnerable members of our community: children, youth, seniors, newcomers to Canada, people who are homeless, people who are unemployed, people living in poverty, and people needing harm reduction supports.

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 to the General Reserve Fund are 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 \$112,385 (2017 - \$35,551) for future use by the General Reserve Fund.

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2018

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 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, 2018

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, 2018

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 expenditures

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, 2018

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 and cash in trust, short-term investment and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to trustee participants.

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 (2017 - \$Nil). The demand operating credit facility and all other obligations to the bank are secured by 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 the year-ends, the Organization was compliant with these ratios.

4. Cash in trust and due to trustee participants

As of March 31, 2018, the Organization held funds in trust in the amount of \$115,709 (2017 - \$108,768) on behalf of its trustee clients.

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2018

5. Short-term investments

	Maturity Date	2018 Interest Rate	2018	2017
Guaranteed investment certificates	April 2018 to December 2018	1.60%-1.96%	\$ 2,592,275	\$ 2,590,438
Manulife savings account			-	800,675
			\$ 2,592,275	\$ 3,391,113

6. Capital assets

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Buildings	2,915,744	2,296,118	619,626	765,410
	3,515,744	2,296,118	1,219,626	1,365,410
Furniture and equipment	811,495	714,009	97,486	146,849
Leasehold improvements	3,890,194	2,089,440	1,800,754	1,795,650
	4,701,689	2,803,449	1,898,240	1,942,499
Total	\$ 8,217,433	\$ 5,099,567	\$ 3,117,866	\$ 3,307,909

Total amortization recorded in the year amounted to \$577,864 (2017 - \$471,066) which has been allocated between the Current Operating Fund and the Property Fund based on the purpose of each fund as described in Note 2.

Included in capital assets is \$16,931 (2017 - \$14,170) and \$99,288 (2017 - \$189,442) of furniture and equipment and leasehold improvements respectively that were not amortized in the current year as they were not in use as at year-end.

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2018

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

An amount of \$2,861 (2017 - \$2,822) 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. Deferred contributions

The deferred contributions balance consists of the following funding sources:

	2018	2017
City of Toronto	\$ 422,441	\$ 149,153
United Way	273,002	38,013
Provincial	207,876	5,256
Federal	165,129	-
Foundations and other	90,508	39,699
	<u>\$ 1,158,956</u>	<u>\$ 232,121</u>

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2018

9. Wage subsidies

The Organization has received a general operating grant and the provincial wage enhancement ("PWE") from the City of Toronto which have been used to subsidize wages. For the current fiscal year, the balance of \$129,811 represents the funding distributed by the City for next fiscal year and included in deferred contributions (Note 8).

	2018	2017
General operating grant (formerly wage subsidies)	\$ 613,147	\$ 533,411
PWE received	136,176	162,976
General operating grant (formerly wage subsidies) and PWE expensed	(619,512)	(583,252)
	<u>\$ 129,811</u>	<u>\$ 113,135</u>

10. Pension plan

During the current year, the Organization became a participating employer in a multi-employer pension plan (MSPP: Multi-Sector Pension Plan). Full time and part time permanent employees are covered by the multi-employer pension plan for which contributions are recognized as a salary expense in the statement of revenue and expenditures. Employer contributions to the pension plan were \$225,039 for the current fiscal year. Participation in this plan is mandatory. Benefits and contributions are determined by the trustees of the pension plan. The Organization has no obligation to provide the benefits established by the pension plan beyond the obligation to make contributions pursuant to the participation agreement. Thus, the Organization uses defined contribution plan accounting.

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2018

11. Commitments

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

2019	\$ 543,110
2020	505,232
2021	423,652
2022	201,662
Subsequent	325,780

\$ 1,999,436

12. 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.

13. Comparative amounts

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