

**THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2020**

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Financial Statements
March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Neighbourhood Group Community Services

Qualified Opinion

We have audited the financial statements of The Neighbourhood Group Community Services, which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 Neighbourhood Group Community Services as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organization.

Basis for Qualified Opinion

In common with many charitable organizations, The Neighbourhood Group Community Services derives revenue from donations and fundraising activities 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 Neighbourhood Group Community Services and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended March 31, 2020, current assets and net assets as at March 31, 2020.

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.

INDEPENDENT AUDITOR'S REPORT, continued

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.

Akler Browning LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
September 1, 2020

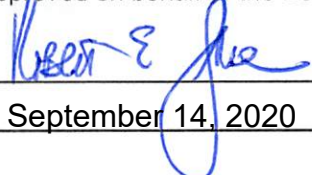
THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Statement of Financial Position

March 31, 2020

	2020	2019
Assets		
Current		
Cash	\$ 1,981,946	\$ 2,360,086
Marketable securities (note 2)	1,222,034	1,273,146
Accounts receivable (note 9)	1,323,704	916,442
Grants receivable	537,175	137,321
HST rebate receivable	152,689	83,630
Prepays	120,385	200,123
Total Current	5,337,933	4,970,748
Restricted investments - Day Care expansion (note 2)	12,016	12,016
Property and equipment (note 3)	278,833	280,710
Total Assets	\$ 5,628,782	\$ 5,263,474
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 2,330,559	\$ 2,543,880
Deferred contributions (note 4)	1,426,812	829,896
Total Current	3,757,371	3,373,776
Funds held in trust - Day Care expansion	12,016	12,016
Deferred capital contributions (note 5)	156,492	222,134
Total Liabilities	3,925,879	3,607,926
Fund Balance		
Net assets	1,702,903	1,655,548
Total Liabilities and Fund Balance	\$ 5,628,782	\$ 5,263,474

Approved on behalf of the Board:


September 14, 2020

Director

Date



Director

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Statement of Operations and Changes in Net Assets

Year ended March 31, 2020

	2020	2019
Revenues		
Fees		
Toronto Central Community Care Access Centre	\$ 5,311,075	\$ 4,821,048
City of Toronto	1,354,988	1,400,380
Fees from users	1,068,555	1,178,861
Grants		
Province of Ontario	10,080,502	10,537,326
City of Toronto	1,635,953	1,645,380
United Way Support	1,148,304	1,141,004
Government of Canada	718,464	572,987
Other		
Other agencies	720,111	649,839
Donations and fundraising events	669,602	206,618
Administration support and rent	71,207	109,526
Amortization of deferred capital funding	65,643	58,337
Investment (loss) income	(39,044)	49,890
Total revenues	22,805,360	22,371,196
Expenditures		
Wages	15,508,727	15,298,006
Benefits	3,207,166	3,235,437
Program expenses	1,825,094	1,817,474
Occupancy costs	772,243	709,222
Travel	395,184	413,001
Purchased services	376,812	312,620
Office and general	362,757	303,330
Amortization	89,322	95,813
Promotion and publicity	86,899	57,260
Training and development	74,478	70,605
Fundraising	59,323	7,740
Total expenditures	22,758,005	22,320,508
Excess of revenues over expenditures for the year	47,355	50,688
Net assets, beginning of year	1,655,548	1,604,860
Net assets, end of year	\$ 1,702,903	\$ 1,655,548

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Statement of Cash Flows

Year ended March 31, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 47,355	\$ 50,688
Adjustments for non-cash items		
Amortization	89,322	95,813
Amortization of deferred capital contributions	(65,642)	(58,337)
	71,035	88,164
Net change in non-cash working capital items		
Accounts receivable	(407,262)	(94,155)
Grants receivable	(399,854)	(67,176)
HST rebate receivable	(69,059)	55,113
Prepays	79,738	(41,981)
Accounts payable and accrued liabilities	(213,319)	1,226,448
Deferred contributions	596,916	(509,904)
	(412,840)	568,345
Cash (Used in) Provided by Operating Activities	(341,805)	656,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(87,447)	(56,054)
Purchase of marketable securities net of disposals	51,112	(36,528)
Cash Used in Investing Activities	(36,335)	(92,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of capital contributions	-	79,180
Cash Provided by Financing Activities	-	79,180
Net (decrease) increase in cash	(378,140)	643,107
Cash, beginning of year	2,360,086	1,716,979
Cash, end of year	\$ 1,981,946	\$ 2,360,086

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

NATURE OF OPERATIONS

The organization operates as a non-profit corporation without share capital with the objective of providing community support services. The organization is a registered charity and as such, is exempt from income taxation under Section 149(1)(f) of the Canadian Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Property and equipment

Property and equipment are accounted for at cost and amortized over their estimated useful life using the following methods and rates or duration:

Equipment	20% Declining balance
Vehicles	30% Declining balance
Computer equipment	30% Declining balance
Leasehold improvements	5 years Straight-line

(b) Impairment of long-lived assets

Property and equipment subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their 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.

(c) Day Care expansion investments

The funds received from the closing of the Victoria Day Care for the expansion of the organization's Day Care program are being held in trust. The funds have been invested and are shown as a long-term asset with a corresponding long-term liability for the expansion. As the funds are expended, the asset and liability are reduced and the expended funds are shown as revenue and expenses in the accompanying statement of operations.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Funds held in trust

The organization receives funds which it holds in trust to be disbursed in accordance with the terms of the underlying trust arrangement. In addition, the organization acts as administrator of funds for projects undertaken jointly with other agencies. The unexpended balances of such funds are shown as an asset and liability in the balance sheet.

(e) Deferred capital contributions

The organization received funding for the purpose of acquiring property and equipment. The contributions are recognized as revenue on the same basis as those used to amortize the property and equipment. The unamortized portion of the contributions is shown on the statement of financial position as deferred capital contributions.

(f) Revenue recognition

The organization follows the deferral method of accounting for contributions, in which restricted contributions related to expenditures of future periods are deferred and recognized as revenue in the period in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

User fees, investment income and other revenues are recognized on the accrual basis.

(g) Contributed materials and services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements. The fair market value of donated property and equipment is recognized as donation revenue in the year the property and equipment are donated, if the fair market value can be reasonably estimated.

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenditures for the periods covered. The main estimates relate to the estimated useful lives of the property and equipment and the impairment of financial assets.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and 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 all its financial assets and financial 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 excess of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash, guaranteed investment certificate, accounts receivable, grants receivable and HST rebate receivable.

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

Financial assets measured at fair value include investments in index pooled funds.

Impairment

For financial assets measured at amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 net excess of revenues over expenditures.

(j) Allocated expenses

The organization engages in various programs and services. The costs of each program includes the cost of personnel and other expenditures that are directly related to providing the services. The organization also incurs other expenditures that are common to the management and operations of the organization and each of its programs.

The organization allocates certain of its administration expenditures, wages and benefits, professional fees, legal fees, insurance, occupancy costs, telephone and advertising by identifying the appropriate basis of allocating each component expenditure, and applies the basis consistently each year according to contracts with the Federal, Provincial and Municipal governments.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

2. INVESTMENTS

	2020	2019
Measured at amortized cost		
Guaranteed investment certificate	\$ 409,016	\$ 406,786
Measured at fair value		
Indexed pooled funds:		
Canadian fixed income	455,756	423,064
Canadian equities	274,592	334,343
Foreign equities	94,686	120,969
	\$ 1,234,050	\$ 1,285,162

Consists of:

	2020	2019
Current		
Marketable securities	\$ 1,222,034	\$ 1,273,146
Long-term		
Restricted investments - Day Care expansion	12,016	12,016
	\$ 1,234,050	\$ 1,285,162

3. PROPERTY AND EQUIPMENT

	2020			2019	
	Cost	Accumulated amortization	Net	Net	
Equipment	\$ 388,478	\$ 272,425	\$ 116,053	\$ 145,067	
Vehicles	161,400	84,995	76,405	10,754	
Computer equipment	262,374	192,947	69,427	89,143	
Leasehold improvements	445,690	428,743	16,947	35,745	
Building	1	-	1	1	
	\$ 1,257,943	\$ 979,110	\$ 278,833	\$ 280,710	

The building is located at 349 Ontario Street, Toronto, Ontario, and was received from Central Neighbourhood House Trust at the carrying amount of the property, being \$1.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

4. DEFERRED CONTRIBUTIONS

	2020	2019
Government of Canada	\$ 593,050	\$ 57,592
City of Toronto	343,281	77,987
Stroke Survivor	201,537	225,000
Province of Ontario	157,198	122,637
Other programs	100,525	284,178
Refugee support	31,221	62,502
	<u>\$ 1,426,812</u>	<u>\$ 829,896</u>

5. DEFERRED CAPITAL CONTRIBUTIONS

	2020	2019
Balance, beginning of year	\$ 222,134	\$ 201,292
Amortization of deferred contributions	(65,642)	(58,337)
Capital contributions received	-	79,179
	<u>\$ 156,492</u>	<u>\$ 222,134</u>

6. CREDIT FACILITIES

A revolving line of credit to a maximum of \$400,000 is available to the organization. The line of credit bears interest at the bank's prime lending rate, is due on demand and is secured by a general security agreement covering all assets of the organization. As at March 31, 2020, the credit balance amounted to \$Nil.

7. CONTRACTUAL OBLIGATION

The organization's total obligations, under property lease agreements for its existing premises and for software under an operating lease are summarized as follows:

Leased Premises

The organization is obligated under property lease agreements, exclusive of occupancy costs, as follows:

2021	\$ 307,499
2022	307,499
2023	279,248
2024	279,248
2025	279,248
Subsequent years	558,495
	<u>\$ 2,011,237</u>

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

7. CONTRACTUAL OBLIGATION, continued

During each year of the lease of the premises at 3036 Danforth Ave, Toronto, the rental rate will be negotiated based on the market rent for like premises in the local geographic area and shall not exceed the previous year's increase in the Statistics Canada Consumer Price Index for Ontario. This lease expires on March 31, 2027.

The lease at 688 Coxwell Ave., Toronto expires on March 31, 2022.

Software

The organization is obligated to minimum subscription fees under a payroll software agreement as follows:

2021	\$	47,616
2022		47,616
2023		19,840
	\$	115,072

8. TORONTO CHILDREN'S SERVICES WAGE GRANTS

	General Operating Grant	Provincial Wage Enhancement	Fee Stabilization Support
Deferred from prior years	\$ 74,861	\$ -	\$ -
Received in this fiscal year	299,444	47,796	-
Wage grants expensed in this fiscal year according to the guidelines	(299,444)	(35,357)	-
Wage grants returned to Children's Services this fiscal year	-	(12,439)	-
Wage grants deferred to future years	\$ 74,861	\$ -	\$ -

Pay Equity 1999-2005 is embedded in the General Operating Grant.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

9. ORGANIZATIONS UNDER SIGNIFICANT INFLUENCE

The organization exercises significant influence over The Neighbourhood Group Foundation and Neighbourhood Link Homes by sharing management and administrative resources. Transactions with The Neighbourhood Group Foundation and Neighbourhood Link Homes are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Neighbourhood Group Foundation was incorporated with a general object to undertake charitable work within Canada, and is a registered charity under the Income Tax Act. Included in accounts receivable is \$286,088 (2019 - \$214,888) owing from The Neighbourhood Group Foundation.

Neighbourhood Link Homes, was incorporated with the object to deal in residential property to provide adequate living accommodation for elderly persons, to provide social and recreational facilities for elderly persons and to promote understanding and undertake problems of the elderly, and is a registered charity under the Income Tax Act. Included in accounts receivable is \$416,125 (2019 - \$155,268) owing from Neighbourhood Link Homes.

10. UNCERTAINTY DUE TO COVID-19

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus (COVID-19). Many businesses and organizations across Canada have been negatively affected by the COVID-19 pandemic and the resulting downturn in the overall economy. The government and public health officials initiated a number of measures to mitigate against the severity and impact of the virus. The organization has implemented a number of these measures to maintain a safe operating environment. The length and severity of the impact on the organization's operations and financial reporting are uncertain and cannot be determined at this time.

11. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relates to accounts and grants receivable and HST rebate receivable.

(b) 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 trade accounts payable and accrued liabilities. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations combined with the receipt of monthly subsidies from its funders.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

11. FINANCIAL INSTRUMENTS, continued

(c) 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 mainly exposed to interest rate risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate instruments subject the organization to a fair value risk while the floating rate instruments subject the organization to cash flow risk. The organization is exposed to this type of risk as a result of its variable rate credit facility and investments in fixed income and equity funds, and guarantee investment certificates. The exposure to these risks also fluctuates as the debts and investments change from year to year.

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments in marketable securities for which the value fluctuates with the quoted market price.

12. SUBSEQUENT EVENT

On April 1, 2020, The Neighbourhood Group Community Services and St. Stephen's Community House, a charitable organization with similar programs and objectives, entered into an agreement to merge operations of the two organizations. The merger has yet to be approved by the City of Toronto in respect of the operation of certain Child Care Centres. Otherwise, the combined organization will continue operating all programs of the predecessor entities as The Neighbourhood Group Community Services.

13. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

ST. STEPHEN'S COMMUNITY HOUSE

Financial Statements

Year ended March 31, 2020

ST. STEPHEN'S COMMUNITY HOUSE

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March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of
St. Stephen's Community House

Opinion

We have audited the financial statements of St. Stephen's Community House, which comprise the statement of financial position as at March 31, 2020, and the statements of current operating fund, property fund, general reserve fund and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

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 opinion.

Emphasis of Matter

We draw attention to Note 13 to the financial statements, which indicates that on April 1, 2020 the Organization pursuant to an agreement with The Neighbourhood Group transferred all of its assets, liabilities and fund balances to The Neighbourhood Group. The Organization's operations were combined and continue under the management and direction of The Neighbourhood Group. Our opinion is not modified in respect of this matter.

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 ASNPO, 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.

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.

Adams & Miles LLP


Chartered Professional Accountants
Licensed Public Accountants


Toronto, Canada
September 8, 2020

ST. STEPHEN'S COMMUNITY HOUSE**Statement of Financial Position****March 31, 2020**

	2020	2019
Assets		
Current		
Cash (Note 3)	\$ 6,112,755	\$ 2,944,879
Cash in trust (Note 4)	168,201	173,109
Short-term investments (Note 5)	-	2,850,757
Accounts receivable	1,127,745	819,910
Prepaid expenditures	307,518	93,313
	7,716,219	6,881,968
Capital assets		
Land and buildings (Note 6)	928,058	1,073,842
Other (Note 6)	2,210,132	1,627,507
	3,138,190	2,701,349
	\$ 10,854,409	\$ 9,583,317
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,978,636	\$ 1,551,733
Due to trustee participants (Note 4)	168,201	173,109
Due to St. Stephen's Property House Corporation (Note 7)	2,969	2,911
Deferred contributions (Notes 8 and 9)	1,164,882	781,130
	3,314,688	2,508,883
Fund balances		
Property fund	3,980,205	3,669,439
General Reserve fund	3,559,516	3,404,995
	7,539,721	7,074,434
	\$ 10,854,409	\$ 9,583,317

Approved on behalf of the Board:


 _____ Director


 _____ Director

ST. STEPHEN'S COMMUNITY HOUSE**Statement of Current Operating Fund****Year Ended March 31, 2020**

	2020	2019
Revenue		
Fees		
City of Toronto	\$ 2,791,720	\$ 2,492,463
Parents' daycare fees	2,119,140	2,004,791
Grants and donations		
Province of Ontario	6,523,947	6,996,170
Federal government	2,927,173	2,641,769
City of Toronto (Note 9)	3,463,643	2,731,202
United Way	694,816	990,689
Donations and other grants	1,131,046	622,110
Social enterprise	580,012	425,641
Interest and sundry	150,454	106,639
	20,381,951	19,011,474
Expenditures		
Salaries and employee benefits (Notes 9 and 10)	14,228,617	12,944,605
Building occupancy	1,461,709	1,419,619
Purchased services	1,007,707	976,119
Trainee remuneration	1,055,762	1,084,838
Program supplies	1,174,123	1,007,349
Office and general	416,619	377,753
Food services	319,807	353,061
Amortization on building, leasehold improvements and building renovations used for programs (Note 6)	259,838	272,795
Promotion	109,197	77,144
Employee recruitment and training	57,313	71,145
Transportation and travel	42,534	52,258
Audit and legal	64,620	55,307
Memberships	29,584	21,520
	20,227,430	18,713,513
Excess of revenue over expenditures	154,521	297,961
Current Operating Fund, beginning of year	-	-
Transfer to general reserve fund (Note 2)	(154,521)	(297,961)
Current Operating Fund, end of year	\$ -	\$ -

ST. STEPHEN'S COMMUNITY HOUSE**Statement of Property Fund****Year Ended March 31, 2020**

	2020	2019
Revenue		
Grants and donations		
City of Toronto	\$ 357,473	\$ 35,653
Donations	100,000	50,000
Province of Ontario	10,940	2,600
Other revenue	9,215	6,207
	477,628	94,460
Expenditures		
Amortization of assets other than building, leasehold improvements and building renovations used for programs (Note 6)	166,862	223,017
Excess of revenue over expenditures (expenditures over revenue)	310,766	(128,557)
Property Fund, beginning of year	3,669,439	3,797,996
Property Fund, end of year	\$ 3,980,205	\$ 3,669,439
Net assets of Property Fund are as follows:		
Capital assets		
Land and buildings (Note 6)	\$ 928,058	\$ 1,073,842
Furniture, equipment, leasehold improvements and building renovations (Note 6)	2,210,132	1,627,507
Cash included in cash and investments	720,859	801,858
Cash held for supportive housing	121,156	166,232
	\$ 3,980,205	\$ 3,669,439

ST. STEPHEN'S COMMUNITY HOUSE

Statement of General Reserve Fund

Year Ended March 31, 2020

	2020	2019
General Reserve Fund, beginning of year	\$ 3,404,995	\$ 3,107,034
Transfer from current operating fund (Note 2)	154,521	297,961
General Reserve Fund, end of year	\$ 3,559,516	\$ 3,404,995

ST. STEPHEN'S COMMUNITY HOUSE**Statement of Cash Flows****Year ended March 31, 2020**

	2020	2019
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures (expenditures over revenue)		
Current operating fund	\$ 154,521	\$ 297,961
Property fund	310,766	(128,557)
Amortization	426,700	495,812
	891,987	665,216
Change in non-cash working capital items		
Accounts receivable	(307,835)	473,594
Prepaid expenditures	(214,205)	10,221
Accounts payable and accrued liabilities	426,903	(205,327)
Due to trustee participants	(4,908)	57,400
Due to St. Stephen's Property House Corporation	58	50
Deferred contributions	383,752	(377,826)
	1,175,752	623,328
Investing activities		
Change in short-term investments	2,850,757	(258,482)
Purchase of capital assets	(863,541)	(79,295)
	1,987,216	(337,777)
Change in cash position	3,162,968	285,551
Cash, beginning of year	3,117,988	2,832,437
Cash, end of year	\$ 6,280,956	\$ 3,117,988
Cash represented by		
Cash	\$ 6,112,755	\$ 2,944,879
Cash in trust	168,201	173,109
	\$ 6,280,956	\$ 3,117,988

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2020

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 \$154,521 (2019 - \$297,961) for future use by the general reserve fund.

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2020

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, leasehold improvements and building renovations 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:

Furniture and equipment	3 - 5 years
Buildings	20 years
Leasehold improvements and building renovations	5 - 45 years or over term of the lease

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2020

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.

The Organization manages and mentors other not-for-profit organizations which includes signing agreements on behalf of the organizations, receiving and disbursing funds to these organizations. The related revenue and expenditures including the fees earned to provide this service is recognize as revenue and expenditures in the Statement of Current Operating Fund.

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, 2020

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, 2020

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 investments 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 (2019 - \$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. As at the year-end, the Organization was compliant with this ratio.

4. Cash in trust and due to trustee participants

As of March 31, 2020, the Organization held funds in trust in the amount of \$168,201 (2019 - \$173,109) on behalf of its trustee clients.

5. Short-term investments

	Maturity Dates	Interest Rates	2020	2019
Guaranteed investment certificates	April 2019 to May 2019	2.00%-2.05%	\$ -	\$ 2,850,757

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2020

6. Capital assets

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 600,000	\$ -	\$ 600,000	\$ 600,000
Buildings	2,915,744	2,587,686	328,058	473,842
	3,515,744	2,587,686	928,058	1,073,842
Leasehold improvements and building renovations	4,504,674	2,636,161	1,868,512	1,557,671
Furniture and equipment	1,109,033	767,414	341,620	69,836
	5,613,707	3,403,575	2,210,132	1,627,507
Total	\$ 9,129,451	\$ 5,991,261	\$ 3,138,190	\$ 2,701,349

Total amortization recorded in the year amounted to \$426,700 (2019 - \$495,812) 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 (furniture and equipment) is approximately \$53,000 (2019 - \$Nil) that was 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, 2020

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

An amount of \$2,969 (2019 - \$2,911) 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 (2019 - \$1).

8. Deferred contributions

The deferred contributions balance consists of the following funding sources:

	2020	2019
City of Toronto	\$ 511,516	\$ 216,234
Foundations and other	289,569	84,952
Federal	229,297	216,267
United Way	115,622	55,801
Provincial	18,878	207,876
	<u>\$ 1,164,882</u>	<u>\$ 781,130</u>

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2020

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 \$Nil (2019 - \$206,428) represents the funding distributed by the City for next fiscal year and included in deferred contributions (Note 8).

	2020	2019
General operating grant	\$ 669,924	\$ 738,850
PWE received	171,556	162,506
General operating grant and PWE expensed	(841,480)	(694,928)
	\$ -	\$ 206,428

10. Pension plan

During the fiscal year ended March 31, 2018, 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 Current Operating Fund. Employer contributions to the pension plan were \$285,632 (2019 - \$266,007) 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, 2020

11. Commitments

The Organization has entered into agreements to lease premises for various years until June 2025 and certain equipment until June 2020. Minimum lease payments (net of HST) for the next five years are as follows:

2021	\$ 610,872
2022	374,747
2023	353,542
2024	357,833
2025	79,229
	<hr/>
	\$ 1,776,223

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. Subsequent event

Effective April 1, 2020, the Organization pursuant to an agreement with The Neighbourhood Group has transferred 100% of its assets, liabilities and fund balances to The Neighbourhood Group at the balances shown on the Statement of Financial Position dated March 31, 2020. The Organization's operations were combined and continue under the management and direction of The Neighbourhood Group.

14. Comparative amounts

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

ST. STEPHEN'S COMMUNITY HOUSE

Notes to Financial Statements

Year ended March 31, 2020

15. COVID-19 (coronavirus) pandemic

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time.