



Grant Thornton

Financial statements

LOFT Community Services

March 31, 2019

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Independent auditor's report

To the Members of
LOFT Community Services

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Qualified Opinion

We have audited the financial statements of LOFT Community Services (the "Organization"), which comprise the statement of financial position as at March 31, 2019, the statements of operations, fund balances 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 possible 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 its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

Note 2 to the financial statements describes the policies followed by the Organization in amortizing some capital assets in an amount equal to the principal portion of debt obligation repaid during the year, and expensing capital expenditures purchased from the capital reserve fund. These policies are not in accordance with Canadian accounting standards for not-for-profit organizations which require all capital assets to be amortized over their useful lives. It is not practicable to quantify the financial effects of this departure from Canadian accounting standards for not-for-profit organizations.

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 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.

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.

Grant Thornton LLP

Toronto, Canada
June 19, 2019

Chartered Professional Accountants
Licensed Public Accountants


LOFT Community Services Statement of financial position

March 31

	General Funds		Restricted Funds		2019 Total	2018 Total
	Operating Fund	Designated Funds	Capital Asset Fund	Reserve Fund		
Assets						
Current						
Cash and cash equivalents (Note 3)	\$ 2,945,254	\$ 284,313	\$ -	\$ 25,309	\$ 3,254,876	\$ 2,540,247
Receivables (Note 4)	1,406,681	-	-	63,800	1,470,481	887,042
Interfund receivables (payables)	271,963	(187,363)	94,100	(178,700)	-	-
Investments (Note 5)	-	24,538,511	-	1,608,515	26,147,026	27,235,400
Prepays	551,498	-	-	-	551,498	556,981
Capital assets (Note 6)	5,175,396	24,635,461	94,100	1,518,924	31,423,881	31,219,670
	-	-	25,877,552	-	25,877,552	26,191,685
	\$ 5,175,396	\$ 24,635,461	\$ 25,971,652	\$ 1,518,924	\$ 57,301,433	\$ 57,411,355
Liabilities						
Current						
Payables and accruals (Note 7)	\$ 4,359,598	\$ 24,848	\$ 98,893	\$ 1,268	\$ 4,484,607	\$ 3,290,465
Deferred operating revenue (Note 8)	815,798	-	-	-	815,798	1,061,844
Current portion of mortgages payable (Note 9)	-	-	1,427,380	-	1,427,380	1,926,587
Current portion of forgivable grant (Note 10)	5,175,396	24,848	21,148	-	5,221,392	6,299,844
	-	-	1,547,421	1,268	6,748,933	-
Mortgages payable (Note 9)	-	-	8,922,154	-	8,922,154	10,537,491
Forgivable grant (Note 10)	5,175,396	24,848	214,884	-	5,415,128	236,032
	-	-	10,684,459	1,268	15,885,971	17,073,367
Fund balances (Note 11)						
Externally restricted	-	24,610,613	-	1,517,656	1,517,656	1,353,526
Internally restricted	-	-	-	-	-	25,519,447
Unrestricted	-	24,610,613	15,287,193	-	15,287,193	13,465,015
	-	-	15,287,193	1,517,656	41,415,462	40,337,988
	\$ 5,175,396	\$ 24,635,461	\$ 25,971,652	\$ 1,518,924	\$ 57,301,433	\$ 57,411,355

Commitments (Note 18)

Approved by the Board



Chair

Director

See accompanying notes to the financial statements.

LOFT Community Services Statements of operations and changes in fund balances

Year ended March 31

	General Funds			Restricted Funds			Total Funds	
	Operating Fund	Designated Funds	2019 Total	Capital Asset Fund	Reserve Fund	Capital Fund	2018	
							Total	Total
Revenue								
Grant funding (Note 14)	\$ 37,905,626	\$ -	\$ 37,905,626	\$ 2,322,560	\$ 283,679	\$ 2,606,239	\$ 2,412,554	\$ 40,511,865
Residents' contributions	5,568,454	-	5,568,454	-	-	-	-	5,568,454
Investment income	40,156	770,138	810,294	-	26,295	26,295	29,590	836,589
Gain (loss) on disposal of investments	-	981,263	981,263	-	(17,910)	(17,910)	(12,881)	963,353
Unrealized gain (loss) on investments	-	(473,309)	(473,309)	-	41,020	41,020	(535)	(432,289)
Donations	1,210,029	11,429	1,221,458	451,203	-	451,203	109,774	1,672,661
Other (Note 15)	373,579	143,182	516,761	2,773,763	333,084	3,106,847	1,373,001	516,761
	<u>45,097,844</u>	<u>1,432,703</u>	<u>46,530,547</u>	<u>2,773,763</u>	<u>333,084</u>	<u>3,106,847</u>	<u>3,911,503</u>	<u>49,637,394</u>
Expenses (Note 16)								
Salaries and benefits	33,660,888	-	33,660,888	-	-	-	-	33,660,888
Operating costs	7,888,479	-	7,888,479	288,745	143,791	432,536	423,842	8,032,270
Interest on long term debt	-	-	-	-	-	-	301,070	301,070
Other residents' services	1,568,728	-	1,568,728	2,255,284	-	2,255,284	2,049,639	4,304,913
Amortization	2,612,792	128,425	2,741,217	2,544,029	12,788	2,556,817	15,117	2,571,934
Administration	45,730,887	128,425	45,859,312	2,544,029	156,579	2,700,608	2,789,668	48,559,920
	<u>(633,043)</u>	<u>1,304,278</u>	<u>671,235</u>	<u>229,734</u>	<u>176,505</u>	<u>406,239</u>	<u>1,121,835</u>	<u>1,077,474</u>
Excess (deficiency) of revenue over expenses	\$ -	\$ 24,328,075	\$ 24,328,075	\$ 13,465,015	\$ 2,544,898	\$ 16,009,913	\$ 14,340,496	\$ 40,337,988
Fund balances, beginning of year								
Excess (deficiency) of revenue over expenses	(633,043)	1,304,278	671,235	229,734	176,505	406,239	1,121,835	1,077,474
Interfund transfers (Note 17)	633,043	(1,021,740)	(388,697)	1,592,444	(1,203,747)	388,697	547,582	-
	<u>-</u>	<u>24,610,613</u>	<u>24,610,613</u>	<u>15,287,193</u>	<u>1,517,656</u>	<u>16,804,849</u>	<u>16,009,913</u>	<u>41,415,462</u>
Fund balances, end of year	\$ -	\$ 24,610,613	\$ 24,610,613	\$ 15,287,193	\$ 1,517,656	\$ 16,804,849	\$ 16,009,913	\$ 41,415,462

See accompanying notes to the financial statements.

LOFT Community Services Statement of cash flows

Year ended March 31

	General Funds		Restricted Funds		2019	2018
	Operating Fund	Designated Funds	Capital Asset Fund	Reserve Fund	Total	Total
Increase (decrease) in cash and cash equivalents	\$ (633,043)	\$ 1,304,278	\$ 229,734	\$ 176,505	\$ 1,077,474	\$ 3,153,522
Operating						
Excess (deficiency) of revenue over expenses	-	-	2,255,284	-	2,255,284	2,049,639
Amortization	-	(981,263)	-	17,910	(963,353)	(407,470)
(Gain) loss on disposal of investments	-	473,309	(21,148)	(41,020)	432,289	(60,261)
Unrealized (gain) loss on investments	-	-	-	-	(21,148)	(12,754)
Loan forgiveness	(633,043)	796,324	2,463,870	153,395	2,780,546	4,722,676
Changes in non-cash working capital (see below)	820,962	(376,110)	(619)	(73,893)	370,340	524,277
	187,919	420,214	2,463,251	79,502	3,150,886	5,246,953
Financing						
Interfund transfers	633,043	(1,021,740)	1,592,444	(1,203,747)	-	-
Mortgage repayments	-	-	(2,114,544)	-	(2,114,544)	(1,060,671)
	633,043	(1,021,740)	(522,100)	(1,203,747)	(2,114,544)	(1,060,671)
Investing						
Decrease in investments (net)	-	601,851	-	1,017,587	1,619,438	326,393
Purchase of capital assets	-	-	(1,941,151)	-	(1,941,151)	(2,832,418)
	-	601,851	(1,941,151)	1,017,587	(321,713)	(2,506,025)
Net increase (decrease) in cash and cash equivalents	820,962	325	-	(106,658)	714,629	1,680,257
Cash and cash equivalents, beginning of year	2,124,292	283,988	-	131,967	2,540,247	859,990
Cash and cash equivalents, end of year	\$ 2,945,254	\$ 284,313	\$ -	\$ 25,309	\$ 3,254,876	\$ 2,540,247
Changes in non-cash working capital						
Receivables	(519,639)	-	-	(63,800)	(583,439)	(74,012)
Interfund receivables (payables)	385,844	(375,574)	(157)	(10,113)	-	-
Prepays	5,483	-	-	-	5,483	(154,448)
Payables and accruals	1,195,120	(536)	(462)	20	1,194,142	710,989
Deferred operating revenue	(245,846)	-	-	-	(245,846)	41,748
	\$ 820,962	\$ (376,110)	\$ (619)	\$ (73,893)	\$ 370,340	\$ 524,277

See accompanying notes to the financial statements.

LOFT Community Services

Notes to the financial statements

March 31, 2019

1. Purpose of the organization

Our Mission: To help people achieve their optimal health and well-being in the community, LOFT Community Services ("We", "Organization") offers unwavering support and hope.

The LOFT Name: LOFT stands for "Leap of Faith Together". Our name refers to our philosophy of taking risks and reaching out in response to unmet and emerging needs. It also refers to the leap of faith our clients take when they join our programs and take the risk of believing that things can improve for them, and that recovery is possible.

The Organization is incorporated under the Ontario Corporations Act as a not for profit organization and is a registered charity under the Income Tax Act.

In carrying out its mission the organization has a number of programs and services, such as housing and personal care, that help people living with complex mental health, addictions, cognitive and physical health challenges. Accordingly, the financial statements include the accounts for the following program operations:

List of services:

Supports for Youth:

The Organization's youth programs seek to harness each youth's own personal strengths in order to encourage independence. Our programs aim to develop an empathetic, hopeful and continuous relationship with each client, taking a holistic approach to ensure each client receives services appropriate to his or her individual needs.

Services include a range of supportive housing models, and system navigations and advocacy to link youth to needed services and resources offered by Youth Case Managers.

Supports for Adults:

The Organization's Adult Services offers a range of housing and support services for men and women with mental health issues, substance abuse challenges and homelessness or the risk of homelessness.

Support Services are offered in response to the needs of the client population served by each program. These services may include case management, system navigation, referrals to addictions health care and social services, and assistance with the activities of daily living.

Supports for Seniors:

The Organization's Seniors Services has been a leader since 1999, providing specialized, community-based support services to vulnerable and at-risk seniors with complex challenges including absence of family support, social isolations, cultural dislocations, poverty, mental or physical health issues, dementia, addictions or behavioural challenges.

Our seniors' programs encourage the development of communities of mutual support where everyone is welcome and no one is judged.

LOFT Community Services

Notes to the financial statements

March 31, 2019

2. Summary of significant accounting policies

The following significant accounting policies adopted by the Organization are in accordance with Canadian accounting standards for not-for-profit organizations with the exception of the capital asset policy for real property assets financed by grants, which is in accordance with the operating agreement between the Organization and the Ministry of Health and Long-Term Care (MOHLTC).

Fund accounting

The Organization follows the restricted fund method of accounting for contributions.

General funds

(a) Operating Fund

The Operating Fund accounts for the Organization's program delivery and administrative activities. The fund reports unrestricted resources and restricted operating grants.

(b) Designated Funds

The Organization has formally set aside certain funds which are to be used for specific purposes. For financial statement presentation purposes the funds have been grouped together and are referred to as Designated Funds. The balances and activity of each of these funds are disclosed in Note 11. A description of each of these internally restricted funds follows:

(i) Stabilization Fund

The purpose of this fund is to ensure that the Organization has sufficient capital in order to provide for its ongoing operational requirements over a period of many years. The Organization supports its annual operational requirements over and above the funding it receives from donations, grants, and other sources through income it generates from its investments.

(ii) Development Fund

The purpose of this fund is to formally set aside amounts which the Board has committed to spend for special projects.

(iii) Program Designated Funds

The purpose of these funds is to recognize amounts that have been set aside for the use of specific programs in the Organization.

Restricted funds

(a) Capital Asset Fund

All capital assets are reported in the Capital Asset Fund. This includes projects under construction, if applicable.

LOFT Community Services

Notes to the financial statements

March 31, 2019

2. Summary of significant accounting policies (continued)

(b) Capital Reserve Fund

The Organization has set aside funds which are to be used for capital expenditures. For financial statement presentation purposes the funds have been grouped together and are referred to as Capital Reserve Fund. A description of each of these internally and externally restricted funds follows:

(i) Capital Reserve Fund – MOHLTC (externally restricted)

In accordance with the requirements of the Ministry of Health and Long-Term Care, the Organization has a separate investment fund for the funding of capital expenditures.

(ii) Capital Reserve Fund – St. Anne's Place (internally restricted)

The purpose of this fund is to formally set aside amounts which the Organization has committed to spend on capital expenditures at St. Anne's Place.

Revenue recognition

Donations include both contributions received and amounts pledged.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to general operations are deferred and recognized as revenue of the General Funds in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grant revenues are deferred and recognized as revenue when the related program expense is incurred.

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

Cash and cash equivalents

The Organization considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturity dates of three months or less as cash and cash equivalents. Bank borrowings are considered to be financing activities.

Investments

Investments are recorded at fair value. Pooled funds are valued at the unit value supplied by the pooled fund administrator and which represent the Organization's appropriate share of underlying net assets at fair value. Investment income earned on restricted resources is recognized as revenue of the applicable fund. Other investment income is recognized as revenue of the General Funds.

LOFT Community Services

Notes to the financial statements

March 31, 2019

2. Summary of significant accounting policies (continued)

Financial Instruments

Initial measurement

The Organization's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees. Financing fees relating to financial instruments are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial asset), except for equities quoted in an active market. The Organization has irrevocably elected to measure its investments in fixed income instruments at fair value. All changes in fair value of the Organization's investments are recorded in the statement of operations. The financial instruments measured at amortized costs are cash and cash equivalents, receivables, payables, forgivable grant and mortgages payable.

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial assets, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Capital assets

(a) Real Property Assets Financed by Grants:

In situations where the acquisition of assets is financed by the assumption of debt, and the debt repayment is funded by the Ministry of Health and Long-Term Care, the assets are recorded at the principal amount of debt assumed, and amortization is provided in the accounts equal to the principal portion of debt obligations repaid during the year.

Capital expenditures related to these properties which are funded by the Ministry of Health and Long-Term Care are charged to operations in the year the expenditure is incurred. If the expenditures are purchased from the Capital Reserve Fund they are charged to the Capital Reserve Fund.

This policy is in accordance with the requirements of the Ministry of Health and Long-Term Care.

LOFT Community Services

Notes to the financial statements

March 31, 2019

2. Summary of significant accounting policies (continued)

(b) All Other Assets:

Because the historical costs of the Organization's capital assets acquired and expensed prior to March 31, 1997 are not reasonably determinable, these assets are not capitalized and amortized. This includes three residences which are owned outright by the Organization. These residences are all located within Metropolitan Toronto and are all being utilized for the provision of non-profit residential accommodation. No current valuations are available for these properties; however, they are insured for \$1,854,926 which reflects the estimated replacement value of the buildings, exclusive of the land.

All significant assets purchased subsequent to April 1, 1997, except those discussed in (a) above, are amortized on a straight-line basis over their estimated useful lives at the following rates:

Tangible

Buildings	5%
Building improvements	5%
Leasehold improvements	over lease term
Furniture, equipment and vehicles	10 – 33 1/3%
Computer systems	33 1/3%

Intangible

Computer software	33 1/3%
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One half year amortization is charged in the year of addition and disposal.

Employee future benefit

The Organization offers a defined contribution pension plan to employees. An expense is recorded in the period when the Organization is obligated to make contributions for services rendered by the employee. Any unpaid contributions are included in the statement of financial position.

Contributed services

Volunteers contributed approximately 13,195 hours during the year to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

In preparing the Organization's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from these estimates. Examples of significant estimates include the allowance for doubtful accounts, fair value of investments, and useful life of capital assets.

LOFT Community Services

Notes to the financial statements

March 31, 2019

3. Cash and cash equivalents

Cash and cash equivalents included \$41,404 (2018 - \$37,711) of monies held on behalf of tenants. These monies are restricted as they are held in trust for tenants and are not available for general use. The corresponding amounts payable to tenants are included in payables and accruals.

4. Receivables	<u>2019</u>	<u>2018</u>
Grants	\$ 752,093	\$ 498,934
Harmonized sales tax	210,045	168,268
Other	219,677	88,167
Pledges receivable	<u>288,666</u>	<u>131,673</u>
	<u>\$ 1,470,481</u>	<u>\$ 887,042</u>

The allowance for doubtful accounts in relation to receivables is \$ Nil (2018 - \$Nil).

5. Investments

Investments at fair value consist of the following:

	<u>2019</u>		<u>2018</u>	
Canadian Bonds				
Government	\$ <u>1,751,711</u>	<u>7%</u>	\$ <u>2,602,997</u>	<u>10%</u>
Pooled fixed income funds	<u>7,375,061</u>	<u>28%</u>	<u>7,133,507</u>	<u>26%</u>
Pooled equity funds				
Canadian	6,122,713	23%	6,849,615	25%
Global	<u>10,897,541</u>	<u>42%</u>	<u>10,649,281</u>	<u>39%</u>
	<u>17,020,254</u>	<u>65%</u>	<u>17,498,896</u>	<u>64%</u>
	<u>\$ 26,147,026</u>	<u>100%</u>	<u>\$27,235,400</u>	<u>100%</u>

Bond holdings have a weighted average term of 2.21 years (2018 – 1.44 years) to maturity and a weighted average yield of 1.88% (2018 – 2.29%).

LOFT Community Services Notes to the financial statements

March 31, 2019

6. Capital assets			2019	2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<u>Tangible</u>				
Land	\$ 7,246,419	\$ -	\$ 7,246,419	\$ 7,246,419
Buildings	3,633,281	2,205,881	1,427,400	1,609,064
Land and buildings *	21,360,492	12,979,411	8,381,081	9,333,743
Building improvements	11,973,073	5,476,201	6,496,872	6,092,721
Leasehold improvements	537,125	183,995	353,130	143,983
Furniture, equipment and vehicles	3,538,569	2,005,322	1,533,247	1,363,315
Computer systems	716,889	482,408	234,481	213,589
<u>Intangible</u>				
Computer software	682,549	477,627	204,922	188,851
	<u>\$ 49,688,397</u>	<u>\$ 23,810,845</u>	<u>\$ 25,877,552</u>	<u>\$ 26,191,685</u>

* Assets financed by grants and acquired by the assumption of debt from the Ministry of Health and Long-Term Care.

7. Payables and accruals	2019	2018
Payables and accruals	\$ 4,323,947	\$ 3,087,966
Government remittances payable	<u>160,660</u>	<u>202,499</u>
	<u>\$ 4,484,607</u>	<u>\$ 3,290,465</u>

8. Deferred operating revenue

The Organization has the following deferred operating revenue:

	Opening Balance	Funds Received	Funds Recognized as Revenue	Closing Balance
Donations	\$ 786,572	\$ 399,751	\$ (696,115)	\$ 490,208
Centre for Addiction and Mental Health	25,576	33,317	(17,972)	40,921
Ministry of Health and Long-Term Care	247,937	28,480	-	276,417
Ryerson University	-	6,693	-	6,693
United Way	1,559	-	-	1,559
	<u>\$ 1,061,644</u>	<u>\$ 468,241</u>	<u>\$ (714,087)</u>	<u>\$ 815,798</u>

LOFT Community Services Notes to the financial statements

March 31, 2019

9. Mortgages payable	<u>2019</u>	<u>2018</u>
Mortgages payable	\$ 10,349,534	\$ 11,417,760
Loan payable, City of Toronto	<u>-</u>	<u>1,046,318</u>
	10,349,534	12,464,078
Less current portion	<u>(1,427,380)</u>	<u>(1,926,587)</u>
	<u>\$ 8,922,154</u>	<u>\$ 10,537,491</u>

Mortgages are held on properties for which the Organization receives grant funding from the Ministry of Health and Long-Term Care. The Organization cannot dispose of any properties during the mortgage term. The Ministry of Health and Long-Term Care guarantees payment of principal and interest.

The mortgages payable are secured by real property. Rates of interest vary from 1.04% to 6.67% with maturity dates from July 2019 to December 2025.

Pursuant to an agreement effective October 15, 2004 and amended on Nov 15, 2018, the City of Toronto advanced the Organization a loan in the principal amount of \$1,126,700 for the purpose of carrying out agreed upon renovations at the Organization's St. Anne's Place property. The loan, plus accrued interest earned on the funds on deposit during the renovation period, totalling \$1,046,318 is to be repaid in 180 monthly instalments commencing on the first day of February 2019. Interest, at the rate of prime plus 1%, will accrue on the loan commencing on February 1, 2019. During the interest free period of the loan, interest at the rate of prime plus 1% has been included in interest on long-term debt with an offsetting amount included in City of Toronto grant. The amounts recorded for the year ended March 31, 2019 totalled \$45,595 (2018 - \$40,997).

The loan is secured by a mortgage and charge on the St. Anne's property in an amount equal to the loan amount, an assignment of insurance subject to the prior interest of Canada Mortgage Corporation and general assignment of rents on the property. As of March 29, 2019, the loan was paid in full and the lien has been removed from the property.

Scheduled principal payments on long-term debt over the next five fiscal years and thereafter are as follows:

2020	\$ 1,427,380
2021	6,139,086
2022	1,232,029
2023	804,368
2024	507,924
Thereafter	<u>238,747</u>
	<u>\$ 10,349,534</u>

Long-term obligations which are scheduled to mature within one year from the date of the statement of financial position where an agreement to refinance is not in place, have been included in current liabilities.

LOFT Community Services

Notes to the financial statements

March 31, 2019

10. Forgivable grant

Pursuant to an agreement effective August 12, 2014 the City of Toronto advanced the Organization a forgivable grant in the amount of \$67,561 under the Homelessness Partnering Strategy Grant. The forgiveness of the grant is to be earned in equal amounts over a ten-year period. As long as the terms and conditions of the application are satisfied, the Organization is not required to pay any interest on the outstanding amount. Should the Organization be in default under the terms of the loan, the unearned portion of the forgivable grant will become due and payable. The ten-year period commenced April 1, 2015.

The Organization entered an agreement effective November 19, 2015 with the City of Toronto for a forgivable grant of up to \$215,885 under the Investment in Affordable Housing Program – Ontario Renovates Component. The forgiveness of the grant is to be earned in equal amounts over a fifteen-year period commencing on the anniversary of the last advancement of funds. As long as the terms and conditions of the application are satisfied, the Organization is not required to pay any interest on the outstanding amount. Should the Organization be in default under the terms of the loan, the unearned portion of the forgivable grant will become due and payable.

	<u>2019</u>	<u>2018</u>
Forgivable grants	\$ 236,032	\$ 257,180
Less: current portion	<u>(21,148)</u>	<u>(21,148)</u>
	<u>\$ 214,884</u>	<u>\$ 236,032</u>

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Notes to the financial statements

March 31, 2019

11. Detailed summary of fund balances

	Opening Balance	Excess (Deficiency) of Revenue Over Expenses	Transfers	Closing Balance
Stabilization Fund	\$ 24,015,535	\$ 1,304,278	\$ (1,021,740)	\$ 24,298,073
Program Designated Funds (see below)	<u>312,540</u>	<u>-</u>	<u>-</u>	<u>312,540</u>
Total Designated Funds	24,328,075	1,304,278	(1,021,740)	24,610,613
Operating Fund	<u>-</u>	<u>(633,043)</u>	<u>633,043</u>	<u>-</u>
Total General Funds – 2019	\$ <u>24,328,075</u>	\$ <u>671,235</u>	\$ <u>(388,697)</u>	\$ <u>24,610,613</u>
Total General Funds – 2018	\$ <u>22,843,970</u>	\$ <u>2,031,687</u>	\$ <u>(547,582)</u>	\$ <u>24,328,075</u>
Capital Asset Fund	\$ 13,465,015	\$ 229,734	\$ 1,592,244	\$ 15,287,193
Capital Reserve Fund	<u>2,544,898</u>	<u>176,505</u>	<u>(1,203,747)</u>	<u>1,517,656</u>
Total Restricted Funds – 2019	\$ <u>16,009,913</u>	\$ <u>406,239</u>	\$ <u>388,697</u>	\$ <u>16,804,849</u>
Total Restricted Funds – 2018	\$ <u>14,340,496</u>	\$ <u>1,121,835</u>	\$ <u>547,582</u>	\$ <u>16,009,913</u>

Currently the Organization has the following Program Designated Funds:

	2019	2018
Youth Programs	\$ <u>312,540</u>	\$ <u>312,540</u>

12. Bank facilities

The Organization has an available line of credit of \$290,000 (2018 - \$290,000), bearing interest at bank prime plus 1.50%, which is unsecured and was unused at March 31, 2019 and March 31, 2018.

13. Defined contribution pension plan

The Organization requires eligible employees to contribute 5% of their gross salary to a defined contribution pension plan. The Organization contributes an amount equal to 5% of each eligible employee's gross salary to the plan. The pension plan expense in 2019 was \$801,279 (2018 - \$737,230).

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Notes to the financial statements

March 31, 2019

14. Grant funding

	General Funds	Restricted Funds	2019		2018	
Ministry of Health and Long-Term Care	\$ 3,461,006	\$ 1,860,693	\$ 5,321,699	13%	\$ 4,641,960	14%
Ministry of Community and Social Services	766,286	1,855	768,141	2%	668,972	2%
Toronto Central LHIN*	19,738,947	76,820	19,815,767	49%	16,129,894	48%
Central LHIN*	<u>9,820,696</u>	<u>125,767</u>	<u>9,946,463</u>	<u>25%</u>	<u>8,784,842</u>	<u>26%</u>
	<u>33,786,935</u>	<u>2,065,135</u>	<u>35,852,070</u>	<u>89%</u>	<u>30,225,668</u>	<u>90%</u>
Other:						
Blue Doors Shelter	60,298	-	60,298	0%	45,760	0%
Centre for Addictions and Mental Health	441,543	-	441,543	1%	383,413	1%
Fred Victor Centre	-	-	-	0%	53,215	0%
Habitat Services	257,838	12,683	270,521	1%	258,865	1%
Municipal and County	2,979,777	524,975	3,504,752	9%	2,162,638	7%
University funding	161,009	2,297	163,306	0%	75,376	0%
WoodGreen Community Services	<u>218,226</u>	<u>1,149</u>	<u>219,375</u>	<u>0%</u>	<u>219,375</u>	<u>1%</u>
	<u>4118,691</u>	<u>541,104</u>	<u>4,659,795</u>	<u>11%</u>	<u>3,198,642</u>	<u>10%</u>
	<u>\$ 37,905,626</u>	<u>\$ 2,606,239</u>	<u>\$ 40,511,865</u>	<u>100%</u>	<u>\$ 33,424,310</u>	<u>100%</u>

* Local Health Integrated Network

The funders have the right to adjust funding received by the Organization and the funders are not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the financial statements, the amount of grant funding received by the Organization during the year may be increased or decreased subsequent to year end.

- a) The Organization has a contract with the City of Toronto Shelter, Support & Housing Administration for St. Anne's Place. A reconciliation report which is submitted to the City of Toronto as part of its year end reporting requirements summarizes the rent geared to income received at St. Anne's Place and the rent supplement subsidy received adjusted for vacancy.

Annual rent-geared to income rent	\$ <u>500,789</u>
Rent supplement subsidy	\$ 411,162
Vacancy adjustment	<u>4,842</u>
Net subsidy calculated for the year	\$ <u>416,004</u>

LOFT Community Services Notes to the financial statements

March 31, 2019

14. Grant funding (continued)

- b) The Organization has a Ministry Agreement with the AIDS Bureau Funding Program. A reconciliation report which is submitted to the AIDS Bureau as part of its year end reporting requirements summarizes all revenue and expenditures and identifies any resulting surplus or deficit that relates to the Ministry Agreement.

A review of this report shows the following as at March 31, 2019:

Funding received	\$ 272,110
Expenses incurred	\$ 267,452

- c) The Organization has a County of Simcoe Agreement with the Social and Community Services Program. Quarterly reports which are submitted to the County of Simcoe as part of the standard submission requirement summarizes all revenue and expenditures and identifies any resulting surplus or deficit that relates to the County of Simcoe Agreement.

A review of this report shows the following as at March 31, 2019:

Funding received	\$ 856,460
Expenses incurred	\$ 870,211

15. Other revenue

In the current year, Included in other revenue is \$143,182 of short-term investments contributed by 416 Community Support for Women ("416 Support").

In the prior year, included in other revenue was \$1,653,311 of assets contributed by 416 Support. On April 1, 2017, the Organization and 416 Support entered into an agreement whereby the Organization received short term investments in the amount of \$280,310, land in the amount of \$1,080,000, a building in the amount of \$270,000, a van in the amount of \$8,000 and other various capital assets in the amount of \$15,001 with a commitment to continue 416 Support's work in the community. As the contributed assets were short term investments and capital assets, it was reasonable for the Organization to determine the fair values and thus they have been recorded as such in these financial statements.

16. Fundraising expenses

Fundraising expenses in the amount of \$513,227 (2018 - \$462,061) were incurred to generate donations revenue, and are included as expenses of the Operating Fund as part of salaries and wages and administration.

17. Interfund transfers

Transfers were made from the Designated Funds to the Operating Fund to fund operating deficits, to the Capital Asset Fund to finance the purchase of capital assets and from the Capital Reserve Fund to the Capital Asset Fund to finance the repayment of a loan from the City of Toronto.

LOFT Community Services

Notes to the financial statements

March 31, 2019

18. Commitments

The Organization has operating lease agreements for premises and equipment expiring up to March 2024 with approximate minimum annual lease payments in each of the next five years and thereafter as follows:

2020	\$ 1,929,394
2021	1,347,611
2022	909,711
2023	504,026
2024	344,751

19. Financial instruments and risk

Financial instruments

The Organization has risk management framework to monitor, evaluate and manage the principal risks assumed with its financial instruments. The risks that arise from financial instruments include credit risk, market risk and interest rate risk. It is management's opinion that the Organization is not exposed to significant currency, concentration or liquidity risks arising from its financial instruments, and these risks remain consistent with the prior year.

Credit risk

The Organization has determined that the financial assets with credit risk exposure are receivables since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Organization. The entity is also exposed to concentration risk in that all of its cash is held with one financial institution and the balances held are in excess of Canadian Deposit Insurance Corporation Limits.

Market risk

The Organization is subject to market risk on the investments. These investments are subject to market risk such that the fair value of these investments may change as a result of factors specific to a particular investment or as a result of factors affecting all instruments trading in the market. The Organization manages this risk by using a professional portfolio manager with oversight by the Organization's Portfolio Investment Committee and maintaining a diversified portfolio with a mix of bonds, fixed income fund and equity funds.

Interest rate risk

The Organization's earnings are exposed to the interest rate risk that arises from fluctuations in interest rates and the degree of volatility of these rates. The Organization does not use derivative instruments to reduce its exposure to interest rate risk.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to its payables and accruals and mortgages payable.