



Financial statements

LOFT Community Services

March 31, 2020

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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, 2020, 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, 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.

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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Toronto, Canada
June 23, 2020

Chartered Professional Accountants
Licensed Public Accountants

LOFT Community Services

Statement of financial position

March 31

Assets	General Funds		Restricted Funds			2020 Total	2019 Total
	Operating Fund	Designated Funds	Capital Asset Fund	Reserve Fund	Capital Fund		
Current							
Cash and cash equivalents (Note 3)	\$ 3,457,475	\$ 434,672	\$ -	\$ 63,800	\$ -	\$ 3,955,947	\$ 3,254,876
Receivables (Note 4)	1,832,978	-	-	-	-	1,832,978	1,470,481
Interfund receivables (payables)	(354,117)	466,204	94,270	(206,357)	-	-	-
Investments (Note 5)	-	21,762,538	-	1,672,981	-	23,435,519	26,147,026
Prepays	628,112	-	-	-	-	628,112	551,498
	5,564,448	22,663,414	94,270	1,530,424	-	29,852,556	31,423,881
Capital assets (Note 6)	-	-	25,368,938	-	-	25,368,938	25,877,552
	\$ 5,564,448	\$ 22,663,414	\$ 25,463,208	\$ 1,530,424	\$ -	\$ 55,221,494	\$ 57,301,433
Liabilities							
Current							
Payables and accruals (Note 7)	\$ 4,675,457	\$ 24,740	\$ 98,845	\$ 1,293	\$ -	\$ 4,800,335	\$ 4,484,607
Deferred operating revenue (Note 8)	888,991	-	-	-	-	888,991	815,798
Current portion of mortgages payable (Note 9)	-	-	3,328,147	-	-	3,328,147	1,427,380
Current portion of forgivable grant (Note 10)	-	-	21,148	-	-	21,148	21,148
	5,564,448	24,740	3,448,140	1,293	-	9,038,621	6,748,933
Mortgages payable (Note 9)	-	-	5,962,787	-	-	5,962,787	8,922,154
Forgivable grant (Note 10)	-	-	193,736	-	-	193,736	214,884
	5,564,448	24,740	9,604,663	1,293	-	15,195,144	15,885,971
Fund balances (Note 11)							
Externally restricted	-	-	-	1,529,131	-	1,529,131	1,517,656
Internally restricted	-	22,638,674	-	-	-	22,638,674	24,610,613
Unrestricted	-	-	15,858,545	-	-	15,858,545	15,287,193
	-	22,638,674	15,858,545	1,529,131	-	40,026,350	41,415,462
	\$ 5,564,448	\$ 22,663,414	\$ 25,463,208	\$ 1,530,424	\$ -	\$ 55,221,494	\$ 57,301,433

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	2020 Total	2019 Total	Capital Asset Fund	Capital Reserve Fund	2020 Total	2019 Total
Revenue								
Grant funding (Note 14)	\$ 40,430,804	\$ -	\$ 40,430,804	\$ 37,905,626	\$ 2,308,503	\$ 133,079	\$ 2,441,582	\$ 2,606,239
Residents' contributions	5,767,318	-	5,767,318	5,568,454	-	-	-	-
Investment income	51,032	522,204	573,236	810,294	-	24,003	24,003	26,295
Gain (loss) on disposal of investments	-	757,506	757,506	981,263	-	(9,032)	(9,032)	(17,910)
Unrealized gain (loss) on investments	-	(1,395,908)	(1,395,908)	(473,309)	-	31,120	31,120	41,020
Donations	990,116	-	990,116	1,221,458	132,186	-	132,186	451,203
Other (Note 15)	489,574	-	489,574	516,761	-	-	-	516,761
	<u>47,728,844</u>	<u>(116,198)</u>	<u>47,612,646</u>	<u>46,530,547</u>	<u>2,440,689</u>	<u>179,170</u>	<u>2,619,859</u>	<u>3,106,847</u>
							<u>50,232,505</u>	<u>49,637,394</u>
Expenses (Note 16)								
Salaries and benefits	36,276,766	-	36,276,766	33,660,888	-	-	-	-
Operating costs	8,408,905	-	8,408,905	7,888,479	-	160,736	160,736	143,791
Interest on long term debt	-	-	-	-	216,781	-	216,781	288,745
Other residents' services	1,756,096	-	1,756,096	1,568,728	-	-	-	-
Amortization	-	-	-	-	2,346,068	-	2,346,068	2,255,284
Administration	2,321,138	128,168	2,449,306	2,741,217	-	6,959	6,959	12,788
	<u>48,762,905</u>	<u>128,168</u>	<u>48,891,073</u>	<u>45,859,312</u>	<u>2,562,849</u>	<u>167,695</u>	<u>2,730,544</u>	<u>2,700,608</u>
							<u>51,621,617</u>	<u>48,559,920</u>
Excess (deficiency) of revenue over expenses	\$ (1,034,061)	\$ (244,366)	\$ (1,278,427)	\$ 671,235	\$ (122,160)	\$ 11,475	\$ (110,685)	\$ 406,239
							<u>\$ (1,389,112)</u>	<u>\$ 1,077,474</u>
Fund balances, beginning of year	\$ -	\$ 24,610,613	\$ 24,610,613	\$ 24,328,075	\$ 15,287,193	\$ 1,517,656	\$ 16,804,849	\$ 16,009,913
Excess (deficiency) of revenue over expenses	(1,034,061)	(244,366)	(1,278,427)	671,235	(122,160)	11,475	(110,685)	406,239
Interfund transfers (Note 17)	1,034,061	(1,727,573)	(693,512)	(388,697)	693,512	-	693,512	388,697
							-	-
Fund balances, end of year	\$ -	\$ 22,638,674	\$ 22,638,674	\$ 24,610,613	\$ 15,858,545	\$ 1,529,131	\$ 17,387,676	\$ 16,804,849
							<u>\$ 40,026,350</u>	<u>\$ 41,415,462</u>

See accompanying notes to the financial statements.

LOFT Community Services

Statement of cash flows

Year ended March 31

	General Funds		Restricted Funds		2020	2019
	Operating Fund	Designated Funds	Capital Asset Fund	Capital Reserve Fund	Total	Total
Increase (decrease) in cash and cash equivalents						
Operating						
Excess (deficiency) of revenue over expenses	\$ (1,034,061)	\$ (244,366)	\$ (122,160)	\$ 11,475	\$ (1,389,112)	\$ 1,077,474
Amortization	-	-	2,346,068	-	2,346,068	2,255,284
(Gain) loss on disposal of investments	-	(757,506)	-	9,032	(748,474)	(963,353)
Unrealized (gain) loss on investments	-	1,395,908	-	(31,120)	1,364,788	432,289
Loan forgiveness	-	-	(21,148)	-	(21,148)	(21,148)
Changes in non-cash working capital (see below)	(1,034,061)	394,036	2,202,760	(10,613)	1,552,122	2,780,546
	512,221	(653,675)	(218)	91,482	(50,190)	370,340
	(521,840)	(259,639)	2,202,542	80,869	1,501,932	3,150,886
Financing						
Interfund transfers	1,034,061	(1,727,573)	693,512	-	-	-
Mortgage repayments	-	-	(1,058,600)	-	(1,058,600)	(2,114,544)
	1,034,061	(1,727,573)	(365,088)	-	(1,058,600)	(2,114,544)
Investing						
Decrease in investments (net)	-	2,137,571	-	(42,378)	2,095,193	1,619,438
Purchase of capital assets	-	-	(1,837,454)	-	(1,837,454)	(1,941,151)
	-	2,137,571	(1,837,454)	(42,378)	257,739	(321,713)
Net increase (decrease) in cash and cash equivalents	512,221	150,359	-	38,491	701,071	714,629
Cash and cash equivalents, beginning of year	2,945,254	284,313	-	25,309	3,254,876	2,540,247
Cash and cash equivalents, end of year	\$ 3,457,475	\$ 434,672	\$ -	\$ 63,800	\$ 3,955,947	\$ 3,254,876
Changes in non-cash working capital						
Receivables	\$ (426,297)	\$ -	\$ -	\$ 63,800	\$ (362,497)	\$ (583,439)
Interfund receivables (payables)	626,080	(653,567)	(170)	27,657	-	-
Prepays	(76,614)	-	-	-	(76,614)	5,483
Payables and accruals	315,859	(108)	(48)	25	315,728	1,194,142
Deferred operating revenue	73,193	-	-	-	73,193	(245,846)
	\$ 512,221	\$ (653,675)	\$ (218)	\$ 91,482	\$ (50,190)	\$ 370,340

See accompanying notes to the financial statements.

LOFT Community Services

Notes to the financial statements

March 31, 2020

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, additions 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, 2020

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.

LOFT Community Services

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Restricted funds

(a) Capital Asset Fund

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

(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.

LOFT Community Services

Notes to the financial statements

March 31, 2020

2. Summary of significant accounting policies (continued)

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.

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, 2020

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 \$1,934,776 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.

The Organization reviews capital assets for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable and exceeds its fair value. The impairment loss, if any, is the excess of carrying value over fair value.

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

A substantial number of volunteers contribute a significant amount of time each year to the Organization. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements. Contributed materials are recorded at fair value when received.

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, 2020

2. Summary of significant accounting policies (continued)

Adoption of new accounting standards

On April 1, 2019, LOFT adopted new accounting standards Section 4433 *Tangible capital assets held by not-for-profit organizations* and Section 4434 *Intangible assets held by not-for-profit organizations* (the "standards"). The most significant requirements include:

- tangible capital assets must be separated into their component parts, when practicable, and when estimates can be made of the lives of the separate components;
- tangible capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts; and
- additional disclosures when an impairment has occurred.

The adoption of the new accounting standards was applied prospectively, except the Organization was permitted to recognize an adjustment to opening net assets at April 1, 2019 to reflect partial impairments of tangible and intangible assets existing at that date. The adoption of these standards did not have any impact on the statement of financial position as at April 1, 2019 and the changes in financial position for the current period.

3. Cash and cash equivalents

Cash and cash equivalents included \$41,558 (2019 - \$41,404) 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>2020</u>	<u>2019</u>
Grants	\$ 1,040,604	\$ 752,093
Harmonized sales tax	172,025	210,045
Other	132,318	219,677
Pledges receivable	<u>488,031</u>	<u>288,666</u>
	<u>\$ 1,832,978</u>	<u>\$ 1,470,481</u>

The allowance for doubtful accounts in relation to receivables is \$ Nil (2019 - \$Nil).

LOFT Community Services

Notes to the financial statements

March 31, 2020

5. Investments

Investments at fair value consist of the following:

	<u>2020</u>		<u>2019</u>	
Canadian Bonds				
Government	<u>\$ 1,673,010</u>	<u>7%</u>	<u>\$ 1,751,711</u>	<u>7%</u>
Pooled fixed income funds	<u>7,310,423</u>	<u>31%</u>	<u>7,375,061</u>	<u>28%</u>
Pooled equity funds				
Canadian	<u>4,755,784</u>	<u>20%</u>	<u>6,122,713</u>	<u>23%</u>
Global	<u>9,565,422</u>	<u>41%</u>	<u>10,897,541</u>	<u>42%</u>
	<u>14,321,206</u>	<u>61%</u>	<u>17,020,254</u>	<u>65%</u>
Infrastructure Fund	<u>130,880</u>	<u>1%</u>	<u>-</u>	<u>-%</u>
	<u>\$ 23,435,519</u>	<u>100%</u>	<u>\$26,147,026</u>	<u>100%</u>

Investments have been placed in an independently managed portfolio of pooled funds and bonds. All funds except for the infrastructure fund can be promptly liquefied if required. The fair value of the pooled funds is determined based on year-end quoted market prices of the underlying assets in the pooled fund. The value reported in the infrastructure fund is reported at cost.

Bond holdings have a weighted average term of 1.46 years (2019 – 2.21 years) to maturity and a weighted average yield of 1.75% (2019 – 1.88%).

6. Capital assets

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
<u>Tangible</u>				
Land	\$ 7,246,419	\$ -	\$ 7,246,419	\$ 7,246,419
Buildings	3,633,281	2,387,545	1,245,736	1,427,400
Land and buildings *	21,360,492	13,949,161	7,411,331	8,381,081
Building improvements	13,245,041	6,080,846	7,164,195	6,496,872
Leasehold improvements	687,939	243,035	444,904	353,130
Furniture, equipment and vehicles	3,322,884	1,825,359	1,497,525	1,533,247
Computer systems	590,148	431,494	158,654	234,481
<u>Intangible</u>				
Computer software	<u>583,536</u>	<u>383,362</u>	<u>200,174</u>	<u>204,922</u>
	<u>\$ 50,669,740</u>	<u>\$ 25,300,802</u>	<u>\$ 25,368,938</u>	<u>\$ 25,877,552</u>

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

LOFT Community Services

Notes to the financial statements

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7. Payables and accruals	<u>2020</u>	<u>2019</u>
Payables and accruals	\$ 4,729,588	\$ 4,323,947
Government remittances payable	<u>70,747</u>	<u>160,660</u>
	\$ 4,800,335	\$ 4,484,607

8. Deferred operating revenue

The Organization has the following deferred operating revenue:

	<u>Opening Balance</u>	<u>Funds Received</u>	<u>Funds Recognized as Revenue</u>	<u>Closing Balance</u>
Donations	\$ 490,208	\$ 552,347	\$ (470,162)	\$ 572,393
Centre for Addiction and Mental Health	40,921	-	(31,467)	9,454
Ministry of Health and Long-Term Care	276,417	6,000	-	282,417
Ryerson University	6,693	23,168	(6,693)	23,168
United Way	<u>1,559</u>	<u>-</u>	<u>-</u>	<u>1,559</u>
	\$ 815,798	\$ 581,515	\$ (508,322)	\$ 888,991

9. Mortgages payable	<u>2020</u>	<u>2019</u>
Mortgages payable	\$ 9,290,934	\$ 10,349,534
Less current portion	<u>(3,328,147)</u>	<u>(1,427,380)</u>
	\$ 5,962,787	\$ 8,922,154

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 October 2020 to December 2025.

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Notes to the financial statements

March 31, 2020

9. Mortgages payable (continued)

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

2021	\$ 3,328,147
2022	1,603,088
2023	1,183,727
2024	1,007,541
Thereafter	<u>2,168,431</u>
	<u>\$ 9,290,934</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.

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>2020</u>	<u>2019</u>
Forgivable grants	\$ 214,884	\$ 236,032
Less: current portion	<u>(21,148)</u>	<u>(21,148)</u>
	<u>\$ 193,736</u>	<u>\$ 214,884</u>

LOFT Community Services

Notes to the financial statements

March 31, 2020

11. Detailed summary of fund balances

	Opening Balance	Excess (Deficiency) of Revenue Over Expenses	Transfers	Closing Balance
Stabilization Fund	\$ 24,298,073	\$ (244,366)	\$ (1,727,573)	\$ 22,326,134
Program Designated Funds (see below)	<u>312,540</u>	<u>-</u>	<u>-</u>	<u>312,540</u>
Total Designated Funds	24,610,613	(244,366)	(1,727,573)	22,638,674
Operating Fund	<u>-</u>	<u>(1,034,061)</u>	<u>1,034,061</u>	<u>-</u>
Total General Funds – 2020	\$ <u>24,610,613</u>	\$ <u>(1,278,427)</u>	\$ <u>(693,512)</u>	\$ <u>22,638,674</u>
Total General Funds – 2019	\$ <u>24,328,075</u>	\$ <u>671,235</u>	\$ <u>(388,697)</u>	\$ <u>24,610,613</u>
Capital Asset Fund	\$ 15,287,193	\$ (122,160)	\$ 693,512	\$ 15,858,545
Capital Reserve Fund	<u>1,517,656</u>	<u>11,475</u>	<u>-</u>	<u>1,529,131</u>
Total Restricted Funds – 2020	\$ <u>16,804,849</u>	\$ <u>(110,685)</u>	\$ <u>693,512</u>	\$ <u>17,387,676</u>
Total Restricted Funds – 2019	\$ <u>16,009,913</u>	\$ <u>406,239</u>	\$ <u>388,697</u>	\$ <u>16,804,849</u>

Currently the Organization has the following Program Designated Funds:

	<u>2020</u>	<u>2019</u>
Youth Programs	\$ <u>312,540</u>	\$ <u>312,540</u>

12. Bank facilities

The Organization has an available line of credit of \$290,000 (2019 - \$290,000), bearing interest at bank prime plus 1.50%, which is unsecured and was unused at March 31, 2020 and March 31, 2019.

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 2020 was \$933,359 (2019 - \$801,279).

LOFT Community Services

Notes to the financial statements

March 31, 2020

14. Grant funding

	General Funds	Restricted Funds	<u>2020</u>		<u>2019</u>	
Ministry of Health and Long-Term Care	\$ 3,605,175	\$ 1,866,376	\$ 5,471,551	13%	\$ 5,321,699	13%
Ministry of Community and Social Services	753,335	1,124	754,459	2%	768,141	2%
Toronto Central LHIN*	20,126,804	98,060	20,224,864	47%	19,815,767	49%
Central LHIN*	10,724,536	66,905	10,791,441	25%	9,946,463	25%
North Simcoe Muskoka LHIN*	<u>1,491,493</u>	<u>170,857</u>	<u>1,662,350</u>	<u>4%</u>	<u>-</u>	<u>-%</u>
	<u>36,701,343</u>	<u>2,203,322</u>	<u>38,904,665</u>	<u>91%</u>	<u>35,852,070</u>	<u>89%</u>
Other:						
Blue Doors Shelter	51,525	-	51,525	0%	60,298	0%
Centre for Addictions and Mental Health	323,033	174,283	497,316	1%	441,543	1%
Habitat Services	296,654	-	296,654	1%	270,521	1%
Municipal and County	2,685,044	62,887	2,747,931	6%	3,504,752	9%
University funding	154,920	-	154,920	0%	163,306	0%
WoodGreen Community Services	<u>218,285</u>	<u>1,090</u>	<u>219,375</u>	<u>1%</u>	<u>219,375</u>	<u>0%</u>
	<u>3,729,461</u>	<u>238,260</u>	<u>3,967,721</u>	<u>9%</u>	<u>4,659,795</u>	<u>11%</u>
	<u>\$ 40,430,804</u>	<u>\$ 2,441,582</u>	<u>\$ 42,872,386</u>	<u>100%</u>	<u>\$ 40,511,865</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>453,736</u>
Rent supplement subsidy	\$ 473,125
Vacancy adjustment	<u>7,515</u>
Net subsidy calculated for the year	\$ <u>480,641</u>

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Notes to the financial statements

March 31, 2020

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, 2020:

Funding received	\$ 272,110
Expenses incurred	\$ 271,611

- 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, 2020:

Funding received	\$ 100,000
Expenses incurred	\$ 101,438

15. Other revenue

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

16. Fundraising expenses

Fundraising expenses in the amount of \$242,689 (2019 - \$287,132) 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.

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Notes to the financial statements

March 31, 2020

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:

2021	\$ 2,146,471
2022	1,460,300
2023	1,243,089
2024	977,289
2025	471,926

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.

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Notes to the financial statements

March 31, 2020

20. COVID-19

Since January 1, 2020, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Organization is considered an essential service and continues to operate. The Organization has determined that these events have not had a significant financial impact on its ongoing operations. The duration and impact of the Covid-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences as well as their impact on the financial position and results of the Organization, if any, for future periods. In the meantime, management continues to manage the budget and provide continuing levels of operations and service.