



Financial statements

LOFT Community Services

March 31, 2014

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Independent auditor's report

To the Members of
LOFT Community Services

Grant Thornton LLP
19th Floor, Royal Bank Plaza South Tower
200 Bay Street, Box 55
Toronto, ON
M5J 2P9
T +1 416 366 0100
F +1 416 360 4949
www.GrantThornton.ca

We have audited the accompanying financial statements of LOFT Community Services, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

The Organization's capital assets are carried in the statement of financial position at \$26,008,371. Management has not amortized all capital assets over their useful lives; instead, those capital assets that have been funded by grants and acquired by the assumption of debt are capitalized and amortized in an amount equal to the principal portion of debt obligation repaid during the year. In addition, capital expenditures purchased from the capital reserve fund are not capitalized but are expensed as a charge to the capital reserve fund. These policies are required by the operating agreement between the Organization and the Ministry of Health and Long-Term Care. Both of these policies constitute a departure from Canadian accounting standards for not-for-profit organizations. It is not practicable to quantify the financial effects of this departure from Canadian accounting standards for not-for-profit organizations.

Qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of LOFT Community Services as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Ontario
June 18, 2014



Chartered Accountants
Licensed Public Accountants

LOFT Community Services Statement of financial position

March 31

	General Funds		Restricted Funds		2014 Total	2013 Total
	Operating Fund	Designated Funds	Capital Asset Fund	Capital Reserve Fund		
Assets						
Current						
Cash and cash equivalents (Note 3)	\$ 1,885,588	\$ 75	\$ -	\$ 138,259	\$ 2,023,922	\$ 2,262,727
Receivables (Note 4)	348,861	-	-	-	348,861	1,716,593
Interfund receivables (payables)	1,511,037	(1,163,140)	100,370	(448,267)	-	-
Investments (Note 5)	-	21,991,479	-	3,755,088	25,746,567	23,790,103
Prepays	425,319	-	-	-	425,319	487,289
	4,170,805	20,828,414	100,370	3,445,080	28,544,669	28,256,712
	-	-	26,008,371	-	26,008,371	23,700,339
Capital assets (Note 6)	\$ 4,170,805	\$ 20,828,414	\$ 26,108,741	\$ 3,445,080	\$ 54,553,040	\$ 51,957,051
Liabilities						
Current						
Payables and accruals (Note 7)	\$ 3,481,784	\$ 23,038	\$ 107,285	\$ 2,526	\$ 3,614,633	\$ 3,848,330
Deferred operating revenue (Note 8)	689,021	-	-	-	689,021	823,849
Current portion of mortgages payable (Note 9)	-	-	1,660,067	-	1,660,067	1,464,874
Forgivable loan - (Note 10)	-	-	-	-	-	1,040
	4,170,805	23,038	1,767,352	2,526	5,963,721	6,138,093
	-	-	13,977,215	-	13,977,215	14,479,378
Mortgages payable (Note 9)	4,170,805	23,038	15,744,567	2,526	19,940,936	20,617,471
Fund Balances (Note 11)						
Externally restricted	-	-	-	2,575,999	2,575,999	3,298,666
Internally restricted	-	20,805,376	-	866,555	21,671,931	20,251,208
Unrestricted	-	20,805,376	10,364,174	-	10,364,174	7,789,706
	-	20,805,376	10,364,174	3,442,554	34,612,104	31,339,580
	\$ 4,170,805	\$ 20,828,414	\$ 26,108,741	\$ 3,445,080	\$ 54,553,040	\$ 51,957,051

Commitments and contingency (Note 15)

Approved by the Board



Chair



Treasurer

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	2013 Total	Capital Asset Fund	Capital Reserve Fund	2014 Total	2013 Total	2014 Total
Revenue								
Grant funding (Note 12)	\$ 19,532,436	\$ -	\$ 17,773,281	\$ 3,363,356	\$ 240,779	\$ 3,604,135	\$ 2,482,581	\$ 23,136,571
Residents' contributions	4,005,779	-	3,625,563	-	-	-	-	4,005,779
Investment income	21,250	695,198	798,334	-	63,813	63,813	77,372	780,261
Gain (loss) on disposal of investments	-	263,961	228,582	-	(781)	(781)	312	228,894
Unrealized gain (loss) on investments	-	1,759,431	516,030	-	(3,664)	(3,664)	15,132	1,755,767
Donations	900,167	482,048	1,159,611	38,234	-	38,234	145,584	1,420,449
Other	539,969	-	424,903	-	-	-	2,031	539,969
	<u>24,999,601</u>	<u>3,200,636</u>	<u>24,526,304</u>	<u>3,401,590</u>	<u>300,147</u>	<u>3,701,737</u>	<u>2,723,012</u>	<u>31,901,976</u>
Expenses (Note 13)								
Salaries and benefits	17,667,079	-	15,689,469	-	-	-	-	17,667,079
Operating costs	5,597,226	-	5,278,592	-	913,390	913,390	442,932	6,510,616
Interest on long term debt	-	-	-	530,428	-	530,428	546,230	546,230
Other residents' services	977,998	-	884,061	-	-	-	-	977,998
Amortization	-	-	-	1,556,016	-	1,556,016	1,429,598	1,429,598
Administration	1,187,164	110,671	1,241,533	-	89,480	89,480	38,988	1,387,315
	<u>25,429,467</u>	<u>110,671</u>	<u>23,093,655</u>	<u>2,086,444</u>	<u>1,002,870</u>	<u>3,089,314</u>	<u>2,457,148</u>	<u>28,629,452</u>
Excess (deficiency) of revenue over expenses	\$ (429,866)	\$ 3,089,967	\$ 1,432,649	\$ 1,315,146	\$ (702,723)	\$ 612,423	\$ 265,864	\$ 1,698,513
Fund balances, beginning of year	\$ -	\$ 19,464,597	\$ 18,249,042	\$ 7,789,706	\$ 4,065,277	\$ 11,874,983	\$ 11,392,025	\$ 31,339,580
Excess (deficiency) of revenue over expenses	(429,866)	3,089,967	1,432,649	1,315,146	(702,723)	612,423	265,864	1,698,513
Interfund transfers (Note 14)	<u>429,866</u>	<u>(1,749,188)</u>	<u>(217,094)</u>	<u>1,259,322</u>	<u>60,000</u>	<u>1,319,322</u>	<u>217,094</u>	<u>-</u>
Fund balances, end of year	\$ -	\$ 20,805,376	\$ 19,464,597	\$ 10,364,174	\$ 3,442,554	\$ 13,806,728	\$ 11,874,983	\$ 34,612,104
								\$ 31,339,580

See accompanying notes to the financial statements.

LOFT Community Services Statement of cash flows

Year ended March 31

	General Funds		Restricted Funds		2014 Total	2013 Total
	Operating Fund	Designated Funds	Capital Asset Fund	Capital Reserve Fund		
Increase (decrease) in cash and cash equivalents						
Operating						
Excess (deficiency) of revenue over expenses	\$ (429,866)	\$ 3,089,967	\$ 1,315,146	\$ (702,723)	\$ 3,272,524	\$ 1,998,513
Amortization	-	-	1,556,016	-	1,556,016	1,429,598
Gain on disposal of investments	-	(263,961)	-	781	(263,180)	(228,894)
Unrealized (gain) loss on investments	-	(1,759,431)	-	3,664	(1,755,767)	(531,162)
Loan forgiveness	(429,866)	-	(1,040)	-	(1,040)	(12,485)
Changes in non-cash working capital (see below)	5,815	1,066,575	2,870,122	(698,278)	2,808,553	2,355,570
	(424,051)	765,617	41,574	248,171	1,061,177	200,623
		1,832,192	2,911,696	(450,107)	3,869,730	2,556,193
Financing						
Interfund transfers	429,866	(1,749,188)	1,259,322	60,000	-	-
Mortgage advances	-	-	545,900	-	545,900	-
Mortgage repayments	429,866	(1,749,188)	(852,870)	60,000	(819,727)	(819,727)
			952,352		(306,970)	
Investing						
Decrease (increase) in investments (net)	-	(315,990)	-	378,473	62,483	659,082
Purchase of capital assets	-	(315,990)	(3,864,048)	-	(3,864,048)	(1,185,425)
			(3,864,048)	378,473	(3,801,565)	(526,343)
Net increase (decrease) in cash and cash equivalents	5,815	(232,986)	-	(11,634)	(238,805)	1,210,123
Cash and cash equivalents, beginning of year	1,879,773	233,061	-	149,893	2,262,727	1,052,604
Cash and cash equivalents, end of year	1,885,588	75	-	138,259	2,023,922	2,262,727
Changes in non-cash working capital						
Receivables	1,367,732	-	-	-	1,367,732	(1,098,501)
Interfund receivables (payables)	(1,053,118)	766,184	38,380	248,554	-	(63,292)
Prepays	61,970	-	-	-	61,970	1,599,778
Payables and accruals	(235,941)	(567)	3,194	(383)	(233,697)	202,638
Deferred operating revenue	(134,828)	-	-	-	(134,828)	-
	5,815	765,617	41,574	248,171	1,061,177	200,623

See accompanying notes to the financial statements.

LOFT Community Services

Notes to the financial statements

March 31, 2014

1. Purpose of the organization

To help people achieve their optimal health and well being in the community, LOFT Community Services ("We", "Organization") offers unwavering support and hope. We serve people living with complex mental health, addictions, cognitive and physical health challenges, offering a range of services and housing delivered in the community. Through innovation, investment, expertise and collaboration we respond to changing needs in our diverse community.

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 distinct programs and services. Accordingly, the financial statements include the accounts for the following program operations:

Supports for Youth:

Aboriginal Youth Program (a program of Native Child and Family Services)
Beverley Lodge
Community Evening and Weekend Treatment Program
Ingles Addictions Housing and Support Services
Transitional Age Youth Program
Youth Peer Support Housing Program

Supports for Adults:

Addictions Support Housing (ASH)
Coordinated Access to Supportive Housing (CASH)
Crosslinks Housing and Support Services
Crosslinks Street Outreach and Services Network
McEwan Housing and Support Services
McEwan HIV/AIDS Service Coordination Program
Mental Health and Justice Initiative
Mount Dennis Supported Housing
St. George House
Sherbourne High Support Program
Stouffville Community Reintegration Program
Wilkinson Housing and Support Services

Supports for Seniors:

Behavioural Support Services Mobile Support Teams
Bradford House
College View Supportive Housing
Crosslinks Seniors Housing and Support Services
Dunn Avenue Supportive Housing
John Gibson House
Mount Dennis Supported Housing
St. Anne's Place
Seniors Community Reintegration Services and the Stepping Stone Project

LOFT Community Services

Notes to the financial statements

March 31, 2014

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, 2014

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 LOFT 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.

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, 2014

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, and accruals 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, 2014

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 five 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 \$2,691,000 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 hardware	33 1/3%

Intangible

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

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 13,000 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.

LOFT Community Services

Notes to the financial statements

March 31, 2014

3. Cash and cash equivalents

Cash and cash equivalents included \$34,986 (2013 - \$28,107) 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	2014	2013
Grants	\$ 140,883	\$ 1,034,068
Harmonized sales tax	97,006	215,476
Other	95,972	272,049
Pledges receivable	15,000	195,000
	<u>\$ 348,861</u>	<u>\$ 1,716,593</u>

The allowance for doubtful accounts in relation to receivables is \$Nil (2013 - \$Nil).

5. Investments

Investments at fair value consist of the following:

	2014		2013	
Short term investments	\$ 649,092	3%	\$ 799,133	3%
Canadian Bonds				
Government	3,105,995	12%	3,991,945	17%
Corporate	-	0%	106,356	1%
	<u>3,105,995</u>	<u>12%</u>	<u>4,098,301</u>	<u>18%</u>
Pooled fixed income funds	<u>9,723,123</u>	<u>38%</u>	<u>10,243,248</u>	<u>43%</u>
Pooled equity funds				
Canadian	5,792,959	22%	4,796,916	20%
Global	6,475,398	25%	3,852,505	16%
	<u>12,268,357</u>	<u>47%</u>	<u>8,649,421</u>	<u>36%</u>
	<u>\$ 25,746,567</u>	<u>100%</u>	<u>\$ 23,790,103</u>	<u>100%</u>

Bond holdings have a weighted average term of 1.93 years (2013 – 2.21 years) to maturity and a weighted average yield of 2.37% (2013 – 3.35%).

LOFT Community Services Notes to the financial statements

March 31, 2014

6. Capital assets			<u>2014</u>	<u>2013</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
<u>Tangible</u>				
Land	\$ 4,112,728	\$ -	\$ 4,112,728	\$ 2,832,572
Buildings	2,866,908	1,382,039	1,484,869	1,300,175
Land and buildings *	21,360,492	8,494,392	12,866,100	13,648,399
Building improvements	9,373,222	3,024,368	6,348,854	4,765,177
Leasehold improvements	161,234	105,433	55,801	71,198
Furniture, equipment and vehicles	2,118,114	1,053,476	1,064,638	989,579
Computer systems	197,903	153,434	44,469	36,430
<u>Intangible</u>				
Computer software	<u>256,011</u>	<u>225,099</u>	<u>30,912</u>	<u>56,809</u>
	<u>\$ 40,446,612</u>	<u>\$ 14,438,241</u>	<u>\$ 26,008,371</u>	<u>\$ 23,700,339</u>

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

The cost of capital assets includes work in progress and equipment not ready for use in the amount of \$Nil (2013 - \$458,886). Amortization of these amounts will commence when the asset is available for use.

7. Payables and accruals	<u>2014</u>	<u>2013</u>
Payables and accruals	\$ 3,550,249	\$ 3,782,289
Government remittances payable	<u>64,384</u>	<u>66,041</u>
	<u>\$ 3,614,633</u>	<u>\$ 3,848,330</u>

LOFT Community Services

Notes to the financial statements

March 31, 2014

8. Deferred operating revenue

The Organization has the following deferred operating revenue:

	Opening Balance	Funds Received	Funds Recognized as Revenue	Closing Balance
Donations	\$ 603,713	\$ 174,381	\$ (292,681)	\$ 485,413
Bell Mobility	13,468	14,827	(13,468)	14,827
Ministry of Health and Long-Term Care	180,480	10,256	(1,955)	188,781
York Region Street Outreach Van Program	<u>26,188</u>	<u>-</u>	<u>(26,188)</u>	<u>-</u>
	<u>\$ 823,849</u>	<u>\$ 199,464</u>	<u>\$ (334,292)</u>	<u>\$ 689,021</u>

9. Mortgages payable

	<u>2014</u>	<u>2013</u>
Mortgages payable	\$ 14,590,964	\$ 14,897,086
Loan payable, City of Toronto	<u>1,046,318</u>	<u>1,047,166</u>
	15,637,282	15,944,252
Less current portion	<u>(1,660,067)</u>	<u>(1,464,874)</u>
	<u>\$ 13,977,215</u>	<u>\$ 14,479,378</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 1.67% to 9.33% with maturity dates from 2014 to 2025.

Pursuant to an agreement effective October 15, 2004, 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 October 2018. Interest, at the rate of prime plus 1%, will accrue on the loan commencing on October 1, 2018. 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, 2014 totalled \$41,853 (2013 - \$41,887).

LOFT Community Services Notes to the financial statements

March 31, 2014

9. Mortgages payable (continued)

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.

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

2015	\$ 1,660,067
2016	9,614,755
2017	656,717
2018	745,001
2019	585,240
Thereafter	<u>2,375,502</u>
	\$ <u>15,637,282</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 loan

Pursuant to an agreement effective December 28, 2000, the Canada Mortgage and Housing Corporation advanced the Organization a forgivable loan in the amount of \$137,334 under the Rooming House Rehabilitation Assistance Program (RRAP). The loan is secured by a mortgage on the property and bears interest at the rate of 8.75%.

The forgiveness of the loan is to be earned in equal amounts over an eleven-year period. As long as the terms and conditions of the loan are satisfied, the Organization is not required to pay any interest on the outstanding amount of the loan.

Should the Organization be in default under the terms of the loan, the unearned portion of the forgivable loan will become due and payable immediately, together with interest from the date of default. The eleven-year period commenced May 1, 2002.

	<u>2014</u>	<u>2013</u>
Forgivable loan	\$ -	\$ 1,040
Less: current portion	<u>-</u>	<u>(1,040)</u>
	<u>\$ -</u>	<u>\$ -</u>

LOFT Community Services

Notes to the financial statements

March 31, 2014

11. Detailed summary of fund balances

	Opening Balance	Excess (Deficiency) of Revenue Over Expenses	Transfers	Closing Balance
Stabilization Fund	\$ 18,269,938	\$ 3,090,312	\$ (900,670)	\$ 20,459,580
Development Fund	993,073	(345)	(992,728)	-
Program Designated Funds (see below)	<u>201,586</u>	<u>-</u>	<u>144,210</u>	<u>345,796</u>
Total Designated Funds	19,464,597	3,089,967	(1,749,188)	20,805,376
Operating Fund	<u>-</u>	<u>(429,866)</u>	<u>429,866</u>	<u>-</u>
Total General Funds – 2014	<u>\$ 19,464,597</u>	<u>\$ 2,660,101</u>	<u>\$ (1,319,322)</u>	<u>\$ 20,805,376</u>
Total General Funds – 2013	<u>\$ 18,249,042</u>	<u>\$ 1,432,649</u>	<u>\$ (217,094)</u>	<u>\$ 19,464,597</u>
Capital Asset Fund	\$ 7,789,706	\$ 1,315,146	\$ 1,259,322	\$ 10,364,174
Capital Reserve Fund	<u>4,085,277</u>	<u>(702,723)</u>	<u>60,000</u>	<u>3,442,554</u>
Total Restricted Funds – 2014	<u>\$ 11,874,983</u>	<u>\$ 612,423</u>	<u>\$ 1,319,322</u>	<u>\$ 13,806,728</u>
Total Restricted Funds – 2013	<u>\$ 11,392,025</u>	<u>\$ 265,864</u>	<u>\$ 217,094</u>	<u>\$ 11,874,983</u>

Currently the Organization has the following Program Designated Funds:

	<u>2014</u>	<u>2013</u>
Youth Programs	\$ 297,281	\$ 153,071
Wilkinson Housing Program	<u>48,515</u>	<u>48,515</u>
Total	<u>\$ 345,796</u>	<u>\$ 201,586</u>

LOFT Community Services

Notes to the financial statements

March 31, 2014

12. Grant funding

	General Funds	Restricted Funds	<u>2014</u>		<u>2013</u>	
Ministry of Health and Long-Term Care	\$ 2,564,541	\$ 1,447,489	\$ 4,012,030	17%	\$ 3,866,518	19%
Ministry of Community and Social Services	657,527	-	657,527	3%	782,448	4%
Toronto Central LHIN*	9,103,023	201,328	9,304,351	40%	7,811,645	39%
Central LHIN*	<u>6,174,270</u>	<u>209,243</u>	<u>6,383,513</u>	<u>27%</u>	<u>6,311,223</u>	<u>30%</u>
	<u>18,499,361</u>	<u>1,858,060</u>	<u>20,357,421</u>	<u>87%</u>	<u>18,771,834</u>	<u>92%</u>
Other:						
Coordinated Access & Mental Health	-	-	-	0%	199,032	1%
Habitat Services	300,954	-	300,954	1%	246,035	1%
Municipal	732,121	1,745,035	2,477,156	11%	1,026,476	5%
Federal – HRDC	<u>-</u>	<u>1,040</u>	<u>1,040</u>	<u>1%</u>	<u>12,485</u>	<u>1%</u>
	<u>1,033,075</u>	<u>1,746,075</u>	<u>2,779,150</u>	<u>13%</u>	<u>1,484,028</u>	<u>8%</u>
	<u>\$ 19,532,436</u>	<u>\$ 3,604,135</u>	<u>\$ 23,136,571</u>	<u>100%</u>	<u>\$ 20,255,862</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 Service Contract with the Ministry of Community and Social Services (MCSS). A reconciliation report which is submitted to MCSS as part of its year end reporting requirements summarizes by service, all revenue and expenditures and identifies any resulting surplus or deficit that relates to the Service Contract.

A review of these reports shows the following services to be in a surplus (deficiency) position as at March 31, 2014.

	Subsidy	(Deficiency)
Child and Family – Operating –Residential (Beverley Lodge)	\$ 532,867	\$ -
Child and Family – Operating - Non-residential (Youth Co-ops)	<u>124,660</u>	<u>-</u>
Net grant	<u>\$ 657,527</u>	<u>\$ -</u>

LOFT Community Services Notes to the financial statements

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12. Grant funding (continued)

- b) 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	\$ 392,674
Rent supplement subsidy	\$ 459,882
Vacancy adjustment	<u>10,750</u>
Net subsidy calculated for the year	<u>\$ 470,632</u>

- c) The Organization has a funding agreement with the City of Toronto under the Social Housing Renovation and Retrofit Program (SHRRP) for St. Anne's Place. The following amounts were received and expended related to SHRRP funding for St. Anne's Place:

	<u>2014</u>	<u>2013</u>	<u>Prior years</u> (unaudited)	<u>Total</u> (unaudited)
Grant Funding				
Capital asset fund	\$ -	\$ 46,694	\$ 654,645	\$ 701,339
Operating fund	<u>3,387</u>	<u>18,442</u>	<u>7,688</u>	<u>29,517</u>
	<u>\$ 3,387</u>	<u>\$ 65,136</u>	<u>\$ 662,333</u>	<u>\$ 730,856</u>
Projects funded by City of Toronto SHRRP				
Fire alarm control panel and electric air handling unit	\$ -	\$ -	\$ 250,000	\$ 250,000
Building envelope work	3,387	25,275	274,725	303,387
Accessible bathroom renovations	-	14,414	110,586	125,000
Toilets	-	-	28,000	28,000
Corrosion control	-	-	20,000	20,000
Building condition audit	<u>-</u>	<u>4,469</u>	<u>-</u>	<u>4,469</u>
	<u>\$ 3,387</u>	<u>\$ 44,158</u>	<u>\$ 683,311</u>	<u>\$ 730,856</u>

13. Fundraising expenses

Fundraising expenses in the amount of \$412,782 (2013 - \$369,591) were incurred to generate donations revenue, and are included as expenses of the Operating Fund as part of salaries and wages and administration.

LOFT Community Services

Notes to the financial statements

March 31, 2014

14. Interfund transfers

Transfers were made from the Designated Funds to the Operating Fund to fund operating deficits and to the Capital Asset Fund and the Capital Reserve Fund in order to finance the purchase of capital assets.

15. Commitments and contingency

Commitments

The Organization has operating lease agreements for premises and equipment expiring up to 2020 with approximate minimum annual lease payments in each of the next five years and thereafter as follows:

2015	\$	975,343
2016	\$	754,166
2017	\$	568,040
2018	\$	394,610
2019	\$	257,431

Contingency

A claim has been made for damages in the amount of \$300,000, which is in dispute. No amount has been accrued as it is management's position that the claim is without merit and the amount at which this claim will be settled, if any, is not determinable based on the information currently available.

16. 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.

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.

LOFT Community Services

Notes to the financial statements

March 31, 2014

16. Financial instruments and risk (continued)

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 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.

17. Bank facilities

The Organization has an available line of credit of \$290,000 (2013 - \$290,000), which is unsecured and was unused at March 31, 2014 and March 31, 2013.

18. 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 2014 was \$493,254 (2013 - \$446,079).

