



Grant Thornton

Financial Statements

Toronto Refugee Community Non-Profit
Homes and Services
(operating as Romero House)

March 31, 2021

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Independent Auditor's Report

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To the Members of
Toronto Refugee Community Non-Profit Homes and Services
(operating as Romero House)

Qualified Opinion

We have audited the financial statements of Toronto Refugee Community Non-Profit Homes and Services (operating as Romero House) (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in 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* paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the City of Toronto: Shelter, Support and Housing Administration in compliance with the Housing Services Act (the "HSA").

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and grants from the public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures, and cash flows for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and fund balances as at April 1, 2020 and 2019 and March 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Organization in complying with the financial reporting provisions of the agreement referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of the Organization and the City of Toronto and should not be used by parties other than the specified users. Our opinion is not modified in respect of this matter.

Other matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedules are presented for purposes of additional information and has not been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

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 the financial reporting provisions of the HSA, 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 a 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.

Toronto, Canada
June 7, 2021

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Statement of Financial Position

March 31

2021

2020

Assets

Current

Cash	\$ 230,159	\$ 296,014
Short-term investments (Note 3)	53,306	199,964
Accounts receivable	17,160	10,076
Subsidy receivable from service manager	24,725	23,528
Subsidy supplement receivable from service manager (Note 4)	2,578	10,170
Prepaid expenses	<u>2,374</u>	<u>12,786</u>
	330,302	552,538
Capital reserve investments (Note 5)	126,895	114,002
Long-term investments (Note 3)	416,512	112,984
Property and equipment (Note 6)	<u>1,079,367</u>	<u>1,169,756</u>
	<u>\$ 1,953,076</u>	<u>\$ 1,949,280</u>

Liabilities

Current

Accounts payable and accrued liabilities (Note 9)	\$ 90,803	\$ 48,038
Deferred revenue (Note 7)	41,395	30,169
Mortgages payable (Note 8)	<u>204,740</u>	<u>64,914</u>
	336,938	143,121
Deferred revenue (Note 7)	390,789	409,689
Mortgages payable (Note 8)	<u>321,218</u>	<u>525,851</u>
	<u>1,048,945</u>	<u>1,078,661</u>

Fund balances

Unrestricted	756,784	732,263
Capital reserve fund (Note 5)	126,895	114,002
Bloor Centre reserve fund	<u>20,452</u>	<u>24,354</u>
	<u>904,131</u>	<u>870,619</u>
	<u>\$ 1,953,076</u>	<u>\$ 1,949,280</u>

See accompanying notes and schedules to the financial statements.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Statement of Operations

Year ended March 31

2021

2020

Revenue

Donations	\$ 379,361	\$ 315,148
City of Toronto Funding		
Social housing subsidies	224,611	220,972
Rent supplement subsidy	64,559	69,893
Supporting Communities Partnership Initiative Grant – Bloor Centre (Note 7)	18,900	18,900
Other grants	54,000	79,000
Rental income		
Social housing	45,985	47,508
Other	17,366	12,457
Interest and other	14,322	10,588
	<u>819,104</u>	<u>774,466</u>

Expenditures

Refugee services (includes amortization of \$6,682 (2020 - \$6,682))	390,553	311,951
Social housing (Schedules 1 and 2)	267,199	267,993
Bloor Centre (includes amortization of \$18,900 (2020 - \$18,900))	101,988	82,323
	<u>759,740</u>	<u>662,267</u>

Excess of revenue over expenditures
before prior year subsidy settlement

59,364 112,199

Prior year subsidy settlement (Note 4)

- (1,649)

Excess of revenue over expenditures

\$ 59,364 \$ 110,550

See accompanying notes and schedules to the financial statements.

Toronto Refugee Community Non-Profit Homes and Services
 (operating as Romero House)
Statement of Changes in Fund Balances
 Year ended March 31

	Unrestricted	Capital reserve fund	Bloor Centre reserve fund	Total 2021	Total 2020
Fund balances, beginning of year	\$ 732,263	\$ 114,002	\$ 24,354	\$ 870,619	\$ 744,346
Excess of revenue over expenditures	59,364	-	-	59,364	110,550
Investment in reserve funds	-	8,290	3,348	11,638	11,009
Interest earned on capital reserve investments	-	1,228	-	1,228	4,714
Transfer of funds to reverse prior year transfer given confirmation Wanda property renovations to be funded directly from capital reserve fund	(42,093)	42,093	-	-	-
Wanda property renovations incurred	-	(42,093)	-	(42,093)	-
HST rebate received on Wanda property renovations	-	3,375	-	3,375	-
Transfer from Bloor Centre reserve fund for repairs and maintenance expenses	<u>7,250</u>	<u>-</u>	<u>(7,250)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 756,784</u>	<u>\$ 126,895</u>	<u>\$ 20,452</u>	<u>\$ 904,131</u>	<u>\$ 870,619</u>

See accompanying notes and schedules to the financial statements.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Statement of Cash Flows

Year ended March 31

2021

2020

Increase (decrease) in cash

Operating

Excess of revenue over expenditures	\$ 59,364	\$ 110,550
Items not involving cash		
Deferred revenue recognized (Note 7)	(70,427)	(24,037)
Amortization of property and equipment	<u>90,389</u>	<u>88,034</u>
	<u>79,326</u>	<u>174,547</u>

Net change in non-cash working capital items

Accounts receivable	(7,084)	(1,406)
Subsidy receivable from service manager	(1,197)	637
Subsidy supplement receivable from service manager	7,592	(8,529)
Prepaid expenses	10,412	(11,711)
Accounts payable and accrued liabilities	42,765	(29,919)
Deferred revenue received during the year (Note 7)	<u>62,753</u>	<u>5,200</u>
	<u>115,241</u>	<u>(45,728)</u>
	<u>194,567</u>	<u>128,819</u>

Financing

Repayment of mortgages payable	<u>(64,807)</u>	<u>(62,452)</u>
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Investing

(Purchase) redemption of short-term investments	(156,870)	14,595
Investment in reserve funds	11,638	11,009
Purchase of capital reserve investments	(8,290)	(8,098)
Wanda property renovations	(42,093)	-
Redemption of capital reserve funds	<u>-</u>	<u>42,093</u>
	<u>(195,615)</u>	<u>59,599</u>

(Decrease) increase in cash during the year (65,855) 125,966

Cash

Beginning of year	<u>296,014</u>	<u>170,048</u>
End of year	<u>\$ 230,159</u>	<u>\$ 296,014</u>

See accompanying notes and schedules to the financial statements.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2021

1. Operations and incorporation

Toronto Refugee Community Non-Profit Homes and Services (operating as Romero House) (the "Organization") was incorporated without share capital under the laws of Ontario and is a registered charitable organization that is exempt from taxes under the Income Tax Act. The Organization provides low income housing and services for refugees.

The Organization is economically dependent on the continued financial support of the City of Toronto and the private sector to meet its ongoing commitments.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with significant accounting policies set out below to comply with the financial reporting framework prescribed by the Housing Services Act (the "HSA") and the City of Toronto. This framework requires the financial statements to be prepared in accordance with Canadian accounting standards for not-for-profit organizations subject to the following significant exceptions:

- (a) capital expenditures may be charged to the replacement reserve rather than capitalized and amortized over their estimated useful life;
- (b) a replacement reserve is appropriated from operations;
- (c) investment income earned on the replacement reserve is credited directly to the reserve rather than operations; and
- (d) property and equipment is to be amortized in annual amounts equal to the principal mortgage repayments. Amortization is not provided for over the estimated useful life of the property and equipment.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically, and adjustments are made to excess of revenue over expenditures as appropriate in the fiscal year they become known.

Revenue recognition

The Organization follows the deferral method of accounting for grant and donation revenue. Unrestricted grants and donations are recognized as revenue in the statement of operations in the fiscal year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

The Organization receives private and municipal level subsidies and grants during the fiscal year. The subsidies and grants are externally restricted and recognized as revenue in the fiscal year in which the related expenditures are incurred. Externally restricted donations are deferred and recognized as revenue in the year the related expenses are incurred. Externally restricted donations for property and equipment are deferred and recognized in the statement of operations on the same basis as the related amortization expense.

Rental, interest and other income are recognized as earned.

Capital reserve fund

This fund includes an annual provision externally restricted to this fund and charges for property maintenance expenditures for all except the Bloor Centre, which are long-term in nature, and which do not represent regular day-to-day maintenance. The current year provision of \$8,290 (2020 - \$8,098) is based on the capital reserve provision of the prior year, multiplied by an index dictated by the Ontario Ministry of Municipal Affairs and Housing as communicated by the City of Toronto.

Bloor Centre reserve fund

This fund includes an annual provision externally restricted to this fund and charges for property maintenance expenditures related to the Bloor Centre, which are long-term in nature, and which do not represent regular day-to-day maintenance. The current year provision of \$3,348 (2019 - \$2,911) is based on 4% of the rent supplement subsidy estimate for the fiscal year as communicated by the City of Toronto.

Interfund transfers

Transfers between funds are required when resources of one fund have been authorized to finance activities and acquisitions in another fund.

Contributed goods

Contributed goods and capital donations are recorded in the financial statements at fair market value as at the date of contribution.

Contributed services

The Organization receives donations in the form of services from volunteers and its Board of Directors. The fair value of these services cannot be reasonably estimated and is not recorded in the financial statements.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment include social housing properties which consist of houses, furniture and fixtures. The HSA requires such property and equipment to be amortized in annual amounts equal to the principal mortgage repayments. Amortization is not provided for over the estimated useful life of the property and equipment.

Other property and equipment, other than land which is not amortized, are recorded at cost and are amortized over their estimated useful life on a straight-line basis as follows:

Building	40 years
Vehicles	5 years

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Organization's financial instruments consist of cash, short-term investments, accounts receivable, subsidy receivable from service manager, subsidy supplement receivable from service manager, capital reserve investments, accounts payable, and mortgages payable.

Financial instruments are initially recorded at fair value and subsequently measured at amortized cost except for capital reserve investments, which are subsequently recorded at fair value. Unrealized gains and losses are recorded in the capital reserve fund, if applicable.

3. Investments

Short-term investments consist of guaranteed investment certificates (GICs) that mature in March 2022 (2020 – April 2020 to March 2021) and earn interest at 2.11% (2020 – 0.35% to 2.05%).

Long-term investments consist of GICs that mature between June 2023 and March 2026 (2020 - March 2022 to July 2024) and earn interest from 1.35% to 1.89% (2020 – 1.89% to 2.11%)

4. Subsidy supplement receivable from service manager

The Organization receives subsidies based on formula contained in the HSA. Subsidies are adjusted at year-end for variances between actual and estimated amounts. The difference is receivable from (or payable to) the service manager. The current year receivable is subject to adjustment by the City of Toronto, which can be confirmed years later. As the adjustment can not be reasonably estimated, any adjustment will be recorded in the statement of operations in the year of reassessment.

All years up to and including the year ended March 31, 2019 have been assessed.

5. Capital reserve investments

The capital reserve investments are held with Worldsource Financial Management Inc. in pooled funds consisting of a ENCASA Canadian short-term bond fund and a ENCASA bond fund.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2021

6. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2021 Net Book Value</u>	<u>2020 Net Book Value</u>
Houses, furniture and fixtures	\$ 1,469,089	\$ 938,284	\$ 530,805	\$ 595,612
Land	135,531	-	135,531	135,531
Building	755,991	346,301	409,690	428,590
Vehicles	33,410	30,069	3,341	10,023
	<u>\$ 2,394,021</u>	<u>\$ 1,314,654</u>	<u>\$ 1,079,367</u>	<u>\$ 1,169,756</u>

7. Deferred revenue

	<u>Refugee Services</u>	<u>Bloor Centre</u>	<u>2021 Total</u>	<u>2020 Total</u>
Deferred revenue, beginning of year	\$ 11,269	\$ 428,589	\$ 439,858	\$ 458,695
Restricted contributions received	62,753	-	62,753	5,200
Revenue recognized	<u>(51,527)</u>	<u>(18,900)</u>	<u>(70,427)</u>	<u>(24,037)</u>
Deferred revenue, end of year	22,495	409,689	432,184	439,858
Less: current portion	<u>22,495</u>	<u>18,900</u>	<u>41,395</u>	<u>30,169</u>
	<u>\$ -</u>	<u>\$ 390,789</u>	<u>\$ 390,789</u>	<u>\$ 409,689</u>

8. Mortgages payable

	<u>2021</u>	<u>2020</u>
Mortgage payable in monthly principal and interest payments of \$3,289, bearing interest at 6.49% per annum, due January 1, 2026, secured by 48 Wanda Road property in Toronto, Ontario	\$ 217,998	\$ 242,649
Mortgage payable in monthly principal and interest payments of \$2,188, bearing interest at 1.878% per annum, due April 1, 2021, secured by 40 Dorval Road property in Toronto, Ontario	160,693	183,603
Mortgage payable in monthly principal and interest payments of \$1,829, bearing interest at 3.028% per annum, due September 1, 2023, secured by 175 Keele Street property in Toronto, Ontario	<u>147,267</u>	<u>164,513</u>
	525,958	590,765
Less: current portion	<u>204,740</u>	<u>64,914</u>
	<u>\$ 321,218</u>	<u>\$ 525,851</u>

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2021

8. Mortgages payable (continued)

Interest in the amount of \$22,884 (2020 - \$25,239) related to the above mortgages payable has been recorded in social housing expenditures.

Future minimum principal repayments are as follows:

2022	\$ 204,740
2023	46,322
2024	141,038
2025	31,825
2026	<u>102,033</u>
	<u>\$ 525,958</u>

9. Financial instruments

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk with respect to its accounts payable and mortgages payable. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to repay advances.

Included in accounts payable and accrued liabilities are government remittances owing by the Organization of \$5,462 (2020 - \$Nil) in relation to source deductions.

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counterparty to a financial instrument failing to discharge an obligation or commitment that it has entered into with the Organization. The Organization's main credit risks relate to its accounts receivable.

The Organization reduces its exposure to credit risk by assessing credit on a regular basis and providing for an allowance for doubtful accounts when applicable. The allowance for doubtful accounts in relation to accounts receivable is \$Nil (2020 - \$Nil).

Interest rate price risk

Interest rate price risk is the risk that the fair value of an interest bearing financial instrument will fluctuate due to changes in market interest rates. The Organization's exposure to interest rate risk is limited to its fixed interest bearing investments.

Other risks

It is management's opinion that the Organization is not exposed to significant currency, interest rate cash flow, or market risks arising from its financial instruments.

Toronto Refugee Community Non-Profit Homes and Services

(operating as Romero House)

Notes to the Financial Statements

March 31, 2021

10. Comparative information

Certain comparative expenses have been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.

11. COVID-19

The outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long 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 businesses 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 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 for future periods. The Organization adjusted its operations in order to limit the exposure of the virus. As at the audit report date, the impact of COVID-19 on the Organization has been relatively limited as revenue has remained relatively consistent with historical trends. Nevertheless, the Organization remains committed to monitoring its operations and adjusting its expenditures as necessary to ensure its long-term sustainability.

Toronto Refugee Community Non-Profit Homes and Services
 (operating as Romero House)
Schedules to the Financial Statements
 Year ended March 31

Social Housing Revenue and Expenditures	Schedule 1	
	<u>2021</u>	<u>2020</u>
Revenue		
City of Toronto social housing subsidies	\$ 224,611	\$ 220,972
Rental income	<u>45,985</u>	<u>47,508</u>
	<u>270,596</u>	<u>268,480</u>
Expenditures		
Salaries and benefits	101,502	107,245
Amortization of property and equipment	64,807	62,452
Home maintenance	27,385	21,496
Mortgage payable interest (Note 8)	22,884	25,239
Utilities	19,609	19,137
Transfer to capital reserve fund	8,290	8,098
Consultants	7,868	6,857
Insurance	6,760	6,057
Office	4,265	7,825
General and administrative	<u>3,829</u>	<u>3,587</u>
	<u>267,199</u>	<u>267,993</u>
Excess of revenue over expenditures	<u>\$ 3,397</u>	<u>\$ 487</u>

Social Housing Operating Expenditures	Schedule 2	
	<u>2021</u>	<u>2020</u>
Total social housing expenditures	\$ 267,199	\$ 267,993
Less:		
Mortgage payable interest (Note 8)	(22,884)	(25,239)
Mortgage principal repayments	<u>(64,807)</u>	<u>(62,452)</u>
	<u>\$ 179,508</u>	<u>\$ 180,302</u>
