

**HOMES FIRST SOCIETY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2016**

# HOMES FIRST SOCIETY

## Financial Statements December 31, 2016

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of Homes First Society

We have audited the accompanying financial statements of Homes First Society, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets, cash flows and supporting schedules for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Homes First Society based on the financial reporting provisions of the operating agreements between Homes First Society and the specified users described in the notes to the financial statements.

*Management's Responsibility 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 operating agreements between Homes First Society and the specified users described in the notes to the financial statements, 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 audit opinion.

*Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Homes First Society as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with the financial reporting provisions of the operating agreements between Homes First Society and the specified users described in the notes to the financial statements.

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the management of Homes First Society to comply with the financial reporting requirements 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 Homes First Society and should not be used by parties other than the members of Homes First Society.

*Akler, Browning, Frimet  
& Landzberg LLP*

Chartered Accountants  
Licensed Public Accountants  
Toronto, Canada  
April 26, 2017

**HOMES FIRST SOCIETY**  
**Statement of Financial Position**  
**December 31, 2016**

	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 2)	\$ 687,128	\$ 987,935
Accounts receivable (Note 3)	135,024	191,674
Government funding receivable	528,544	518,388
Prepays	154,412	87,268
<b>Total current assets</b>	<b>1,505,108</b>	<b>1,785,265</b>
Property and equipment (Note 4)	7,839,392	8,508,426
Assets under capital lease (Note 5)	4,157,791	4,638,003
Restricted Investments (Note 2)	2,162,159	2,020,536
<b>Total Assets</b>	<b>\$ 15,664,450</b>	<b>\$ 16,952,230</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 761,038	\$ 1,000,564
Government remittances payable	15,183	13,990
Deferred contributions (Note 7)	187,888	206,845
Current portion of mortgages payable (Note 10)	2,144,706	962,573
<b>Total current liabilities</b>	<b>3,108,815</b>	<b>2,183,972</b>
Deferred capital contributions (Note 8)	1,027,197	1,212,617
Restricted contribution (Note 9)	115,019	113,995
Mortgages payable (Note 10)	8,542,389	10,688,348
<b>Total Liabilities</b>	<b>12,793,420</b>	<b>14,198,932</b>
<b>Net Assets</b>		
Externally restricted reserves	1,778,066	1,639,348
Internally restricted reserve	269,074	267,193
Unrestricted net assets	823,890	846,757
<b>Total Net Assets</b>	<b>2,871,030</b>	<b>2,753,298</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 15,664,450</b>	<b>\$ 16,952,230</b>

Approved on behalf of the board

Director Beate Bawson  
 Date April 26/17

Director Jean Park

**HOMES FIRST SOCIETY**  
**Statement of Changes in Net Assets**  
**Year ended December 31, 2016**

	Externally Restricted Reserve Section 78	Externally Restricted Reserve 90 Shuter Section 95	Externally Restricted Strachan Capital Reserve	Externally Restricted Scarboro Capital Reserve	Internally Restricted Operating Capital Reserve	Un- restricted Net Assets	2016	2015
Balance, beginning of year	1,192,040	190,483	166,825	90,000	267,193	846,757	2,753,298	2,620,163
Add/(Deduct):								
Allocation from operations	132,005	22,500	46,600	50,000	-	-	251,105	363,297
Reserve investment income	42,700	6,689	1,301	702	1,881	-	53,273	30,073
Reserve expenditures (Note 11)	(132,537)	(31,242)	-	-	-	-	(163,779)	(285,755)
Adjustment to prior year's funding			-	-	-	(27,449)	(27,449)	23,721
Excess of revenues over expenditures			-	-	-	4,582	4,582	1,799
<b>Balance, end of year</b>	<b>1,234,208</b>	<b>188,430</b>	<b>214,726</b>	<b>140,702</b>	<b>269,074</b>	<b>823,890</b>	<b>2,871,030</b>	<b>2,753,298</b>

**HOMES FIRST SOCIETY**  
**Statement of Operations**  
**Year ended December 31, 2016**

	Savard's	Strachan	Scarboro	Kennedy	CAMH	Sec 78 Various	Sec 95 Shuter	Managed Properties	Support for Daily Living	2016	2015
<b>Revenues</b>											
Government funding - City of Toronto (Schedule)	829,852	1,296,091	1,307,760	200,000	-	2,559,341	483,018	107,110	785,090	7,568,262	7,139,350
Revenues from tenants	-	449,249	-	-	-	507,839	144,420	61,955	-	1,163,463	1,155,514
Government funding - MOHLTC	346,294	-	-	-	-	-	-	-	-	346,294	346,294
CAMH high support funding	-	-	-	-	272,931	-	-	-	-	272,931	263,008
United Way	117,095	83,586	-	-	-	-	-	-	-	200,681	208,380
Amortization of deferred contributions related to property and equipment	19,596	165,824	-	-	-	-	-	-	-	185,420	185,420
Donations (Note 12)	67,850	50,615	9,000	-	-	-	3,000	24,602	16,545	171,612	184,510
Management fees	-	-	-	-	-	-	-	116,089	-	116,089	116,089
Non-rental income	-	10,550	-	-	-	14,335	28,966	5,720	-	59,571	51,291
Rebates, refunds, signage, interest and other	186	-	-	-	-	-	28,394	-	-	28,580	75,198
<b>Total revenues</b>	<b>1,380,873</b>	<b>2,055,915</b>	<b>1,316,760</b>	<b>200,000</b>	<b>272,931</b>	<b>3,081,514</b>	<b>687,798</b>	<b>315,476</b>	<b>801,635</b>	<b>10,112,903</b>	<b>9,725,054</b>
<b>Expenditures</b>											
Administrative and Program (Schedule)	1,123,218	1,191,110	1,038,140	101,555	261,346	384,574	93,149	96,030	741,506	5,030,628	4,609,936
Maintenance (Schedule)	198,740	489,285	154,502	97,656	11,585	689,574	186,001	193,043	60,129	2,080,515	2,058,030
Mortgage principal and interest	-	-	-	-	-	1,166,901	200,145	-	-	1,367,046	1,411,558
Utilities (Schedule)	35,421	141,505	66,595	-	-	359,830	168,492	18,493	-	790,336	687,264
Property taxes	-	-	-	-	-	303,630	-	-	-	303,630	293,540
Allocation to restricted reserve funds	-	46,600	50,000	-	-	132,005	22,500	-	-	251,105	363,297
Amortization	19,596	165,824	-	-	-	-	-	-	-	185,420	185,420
Insurance and bad debts	3,582	16,906	6,333	789	-	45,000	17,071	9,960	-	99,641	114,210
<b>Total expenses</b>	<b>1,380,557</b>	<b>2,051,230</b>	<b>1,315,570</b>	<b>200,000</b>	<b>272,931</b>	<b>3,081,514</b>	<b>687,358</b>	<b>317,526</b>	<b>801,635</b>	<b>10,108,321</b>	<b>9,723,255</b>
<b>Excess of Revenues over Expenditures</b>	<b>316</b>	<b>4,685</b>	<b>1,190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>440</b>	<b>(2,050)</b>	<b>-</b>	<b>4,582</b>	<b>1,799</b>

**Homes First Society**  
**Schedule of Government Funding - City of Toronto**  
**December 31, 2016**

	Savard's	Strachan	Scarboro	Kennedy	CAMH	Sec 78 Various	Sec 95 Shuter	Managed Properties	Support for Daily Living	2016	2015
Shelter per diem	720,995	1,075,411	1,226,918	200,000	-	-	-	-	-	3,223,324	2,906,203
Housing Services Act (HSA) - Section 78	-	-	-	-	-	2,484,341	-	-	-	2,484,341	2,480,159
Support to daily living	-	-	-	-	-	-	-	-	785,090	785,090	785,091
Rent supplement program	-	-	-	-	-	-	483,018	-	-	483,018	450,512
Emergency hostel funding program	65,392	65,392	65,392	-	-	-	-	-	-	196,176	196,176
Toronto Renovates Romming House	-	-	-	-	-	-	-	107,110	-	107,110	-
Homelessness partnership strategy	-	-	-	-	-	75,000	-	-	-	75,000	75,000
Housekeeping, hoarding and bed bugs funding	-	64,351	-	-	-	-	-	-	-	64,351	64,351
Shelter standards implementation funding	14,187	28,462	15,450	-	-	-	-	-	-	58,099	-
Strachan Scipi renovation revenue	-	32,534	-	-	-	-	-	-	-	32,534	-
Food access project	-	29,941	-	-	-	-	-	-	-	29,941	29,942
Health and safety funding	15,000	-	-	-	-	-	-	-	-	15,000	15,000
Toronto Public Health	14,278	-	-	-	-	-	-	-	-	14,278	2,841
Strachan interior alternations	-	-	-	-	-	-	-	-	-	-	134,075
	829,852	1,296,091	1,307,760	200,000	-	2,559,341	483,018	107,110	785,090	7,568,262	7,139,350

**Homes First Society**  
**Schedule of Administrative and Program Expenses**  
**December 31, 2016**

	Savard's	Strachan	Scarboro	Kennedy	CAMH	Sec 78 Various	Sec 95 Shuter	Managed Properties	Support for Daily Living	2016	2015
Salaries and benefits	956,811	1,022,904	803,411	31,712	248,879	265,025	48,554	74,706	634,955	4,086,957	3,807,765
Tenant services	110,564	79,670	123,085	27,926	-	-	-	869	24,629	366,743	310,609
Professional fees	19,631	34,184	17,934	10,659	4,905	61,076	10,354	15,730	25,461	199,934	175,873
Rental charges	-	2	63,654	25,000	-	-	-	-	2,287	90,943	65,948
Telephone, fax, internet	10,193	16,651	10,665	1,781	2,548	10,293	1,886	1,784	20,292	76,093	70,536
Computer supplies, repairs and maintenance	8,324	11,916	5,384	2,271	1,108	12,555	2,300	767	10,540	55,165	27,694
Supplies and general administrative	5,570	7,452	5,306	1,155	1,176	10,716	1,963	654	6,015	40,007	24,730
Other	1,208	2,082	1,098	153	340	3,595	24,186	220	1,757	34,639	35,514
Office equipment	3,830	5,592	2,002	240	1,013	5,706	1,045	348	6,436	26,212	42,778
Travel	2,196	3,855	1,991	246	508	5,756	1,055	352	3,582	19,541	9,900
Meeting and conferences	2,312	2,322	1,265	91	192	2,174	398	133	2,036	10,923	8,358
Membership dues	1,170	2,019	1,064	146	307	3,483	638	213	1,595	10,635	11,305
Interest and bank charges	642	1,107	583	80	169	1,910	350	117	875	5,833	4,615
Postage and courier	426	764	387	53	112	1,268	232	77	581	3,900	5,630
Advertising and promotion	341	590	311	42	89	1,017	188	60	465	3,103	8,681
	1,123,218	1,191,110	1,038,140	101,555	261,346	384,574	93,149	96,030	741,506	5,030,628	4,609,936



**HOMES FIRST SOCIETY**  
**Schedule of Maintenance Expenses**  
**Year ended December 31, 2016**

	Savard's	Strachan	Scarboro	Kennedy	CAMH	Sec 78 Various	Sec 95 Shuter	Managed Properties	Support for Daily Living	2016	2015
Building and equipment	55,825	176,455	36,927	45,492	1,247	239,035	54,345	133,637	6,473	749,436	600,487
General repairs and maintenance	41,118	92,962	53,256	3,689	449	117,103	41,042	22,983	2,331	374,933	332,489
Salaries and benefits	37,638	64,957	34,217	4,708	9,889	112,059	20,530	6,843	51,325	342,166	317,277
Heating, air conditioning, ventilation and plumbing	35,476	50,526	9,676	28,204	-	59,239	12,758	2,344	-	198,223	277,143
Security	8,509	24,532	11,460	13,864	-	67,632	21,078	7,797	-	154,872	247,097
Waste removal	11,891	42,514	5,198	754	-	30,137	12,015	6,119	-	108,628	121,123
Electrical systems	7,709	27,089	3,768	64	-	19,437	11,128	1,270	-	70,465	80,135
Grounds	574	2,929	-	881	-	24,181	1,839	8,887	-	39,291	41,556
Elevators	-	7,321	-	-	-	16,910	9,999	-	-	34,230	24,489
Painting	-	-	-	-	-	3,841	1,267	3,163	-	8,271	16,234
	198,740	489,285	154,502	97,656	11,585	689,574	186,001	193,043	60,129	2,080,515	2,058,030

**HOMES FIRST SOCIETY**  
**Schedule of Utilities Expenses**  
**Year ended December 31, 2016**

	Savard's	Strachan	Scarboro	Kennedy	CAMH	Sec 78 Various	Sec 95 Shuter	Managed Properties	Support for Daily Living	2016	2015
Electricity	22,423	80,561	39,081	-	-	188,119	137,995	8,165	-	476,344	385,340
Water and sewage	7,328	25,409	16,686	-	-	106,548	30,497	3,057	-	189,525	165,084
Fuel	5,670	35,535	10,828	-	-	65,163	-	7,271	-	124,467	136,840
	35,421	141,505	66,595	-	-	359,830	168,492	18,493	-	790,336	687,264

**HOMES FIRST SOCIETY**  
**Statement of Cash Flows**  
**Year ended December 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 4,582	\$ 1,799
Items not involving cash		
Amortization	1,149,247	1,100,486
Amortization of deferred capital contributions	(185,420)	(185,420)
Adjustment to prior year's funding	(27,449)	23,721
	<u>940,960</u>	<u>940,586</u>
Change in non-cash working capital items		
Accounts receivable	56,650	(40,754)
Government funding receivable	(10,156)	(70,461)
Prepays	(67,144)	13,227
Accounts payable and accrued liabilities	(239,527)	220,935
Government remittances payable	1,193	(3,839)
Deferred contributions	(18,957)	48,742
<b>Cash Provided by Operating Activities</b>	<u>663,019</u>	<u>1,108,436</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgages payable	(963,826)	(915,066)
<b>(Decrease) increase in cash and cash equivalents</b>	<u>(300,807)</u>	<u>193,370</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>987,935</u>	<u>794,565</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 687,128</u>	<u>\$ 987,935</u>

**HOMES FIRST SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**PURPOSE AND NATURE OF THE ORGANIZATION**

Homes First Society (the "Society") is a not-for-profit organization incorporated under The Corporations Act (Ontario) as a corporation without share capital and is registered with the Canada Revenue Agency as a charity within the meaning of the Income Tax Act.

The primary purpose of the Society is to provide permanent and affordable housing and transitional support services to those with the fewest housing options in our community.

In accordance with its operating and funding agreements with the funders listed below, the Society receives funding to provide subsidized housing and transitional support services to its tenants and their families.

City of Toronto

Canada Mortgage and Housing Corporation (CMHC)

Ontario Ministry of Health and Long Term Care (MOHLTC)

United Way of Greater Toronto

The Society is dependent on these funders for its continued operation.

Specified Users

The specified users of these financial statements are as follows:

City of Toronto

Canada Mortgage and Housing Corporation (CMHC)

Ontario Ministry of Health and Long Term Care (MOHLTC)

United Way of Greater Toronto

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**1. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with the financial reporting provisions of the operating agreements between the Society and the specified users. The significant policies are detailed as follows.

**(a) Basis of accounting**

The basis of accounting used in these financial statements differ from Part III of the CICA Accounting Handbook - Accounting Standards for Not-for-Profit Organizations in the following ways:

- (i) Property and equipment and assets under capital lease related to programs funded by the City of Toronto Social Housing Unit other than 53 Strachan and 1322 Bloor Street West are recorded at cost. Amortization includes amortization of land and is equal to the amount of principal repaid on the corresponding mortgages rather than the useful lives of the related assets. Consequently the related assets are not tested for impairment.
- (ii) Major repairs, upgrades and expenditures and replacement of property and equipment are funded as an allocation from the externally restricted reserves.
- (iii) Allocations to the restricted reserves are made through the statement of operations rather than statement of changes in net assets.
- (iv) Long-term land leases have been treated as capital leases rather than operating leases.

**HOMES FIRST SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES, continued**

**(b) Consolidation**

Homes First Foundation (Foundation), which is controlled by the Society as a result of the Society's significant economic interest in the Foundation, is not consolidated in the Society's financial statements. The Society has chosen to disclose the total assets, liabilities and net assets as its year end as well as the revenues and expenses for the period.

**(c) Fund accounting**

The accounts of the Society are maintained in accordance with the principles of fund accounting by which resources for various purposes are classified for accounting and reporting purposes into funds relating to the specific activities and operations. These funds are as follows:

**(i) Unrestricted net assets**

The unrestricted net assets represent the operating fund for the Society and consist of the Society's rental, administrative and support activities.

**(ii) Externally restricted reserves**

The Society is required by several agreements with its funders to maintain replacement reserve funds. The cash and investments in the funds are restricted and can only be used for capital expenditures as defined by the agreements. These funds consist of monies held in Guaranteed Investment Certificates as well as funds administered by an investment manager at Phillips, Hager & North Investment Funds Ltd.

**(iii) Internally restricted reserve**

Internally restricted reserve funds are to be used to fund major repairs and maintenance projects at locations which have no established specific reserve account, as approved by the Board of Directors.

**(d) Revenue recognition**

Government funding, revenues from tenants and other revenue is recognized on an accrual basis in the statement of operations. The City of Toronto provides subsidies to assist the Society's operations. The annual subsidy is subject to revision upon filing of the Annual Information Return for private non-profit housing corporations.

Restricted contributions related to expenditures of future periods are deferred and recognized as revenue in the period in which the related expenditures are incurred.

Unrestricted and restricted investment income is recognized as it is earned in the appropriate fund.

**(e) Cash and cash equivalents**

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

**HOMES FIRST SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES, continued**

**(f) Property and equipment**

Property and equipment are accounted for at cost. Contributed property and equipment are recorded at their fair value at the date of the donation. Except for the City of Toronto Social Housing Unit funded properties described in Note 1(a)(i), property and equipment are amortized following the straight line method over their estimated useful lives as follows:

Buildings	25 years
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**(g) Deferred capital contributions**

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

**(h) Contributed services**

The Society would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

**(i) Allocation of expenses**

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

The Society allocates certain of its maintenance and administration expenditures by identifying the appropriate basis of allocating each component expenditures, and applies the basis consistently each year based on assumptions made by management. These costs are included in the revenues and expenditures per the schedules attached to the financial statements.

**1. SIGNIFICANT ACCOUNTING POLICIES, continued**

**(j) Financial instruments**

**Measurement of Financial Instruments**

The Society initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the respective fund.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable and government funding receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable and mortgages payable.

Financial assets measured at fair value include restricted investments.

**Impairment**

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

**(k) Use of estimates**

The preparation of financial statements in accordance with the financial reporting provisions of the operating agreements between the Society and the specified user organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenditures for the period covered.

The main estimates relate to the impairment of financial assets, the estimated useful life of property and equipment other than funded properties, allowance for doubtful accounts and the provision for the repayment of subsidies.

**HOMES FIRST SOCIETY**  
**Notes to the Financial Statements**  
**December 31, 2016**

**2. CASH AND CASH EQUIVALENTS AND RESTRICTED INVESTMENTS**

	2016	2015
<b>Cash and Cash Equivalents</b>		
Cash (Outstanding cheques)	\$ (154,710)	\$ 146,322
Guaranteed investment certificates	841,838	841,613
	687,128	987,935
<b>Restricted Investments</b>		
Bond funds	1,101,032	1,099,420
Equity funds	321,607	283,103
Guaranteed investment certificates	739,520	638,013
	2,162,159	2,020,536
<b>Total</b>	<b>\$ 2,849,287</b>	<b>\$ 3,008,471</b>

Guaranteed investment certificates in the amount of \$12,833 are used as collateral for the Society's credit cards.

**3. ACCOUNTS RECEIVABLE**

	2016	2015
HST rebate receivable	\$ 147,087	\$ 150,554
Rent receivable	-	46,087
Allowance for doubtful accounts	(16,374)	(14,424)
Due from Homes First Foundation	4,311	9,457
	\$ 135,024	\$ 191,674

**4. PROPERTY AND EQUIPMENT**

	Cost	Accumulated Amortization	2016	2015
<b>Land and buildings (City of Toronto Social Housing Unit funded)</b>				
175 Vaughan Road	\$ 3,813,767	\$ 2,103,533	\$ 1,710,234	\$ 1,892,547
29 Wales Avenue	492,999	256,947	236,052	256,154
87 Bellevue Avenue	3,320,114	1,409,225	1,910,889	2,024,005
50 Earl Street	2,657,576	920,235	1,737,341	1,818,797
434 Gerrard Street	1,970,878	761,763	1,209,115	1,268,104
90 Shuter Street	3,102,881	2,535,192	567,689	761,151
	15,358,215	7,986,895	7,371,320	8,020,758
<b>1322 Bloor Street West</b>				
Land	257,550	-	257,550	257,550
Building	488,929	278,407	210,522	230,118
	746,479	278,407	468,072	487,668
<b>Total</b>	<b>\$ 16,104,694</b>	<b>\$ 8,265,302</b>	<b>\$ 7,839,392</b>	<b>\$ 8,508,426</b>



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**5. ASSETS UNDER CAPITAL LEASE**

	Cost	Accumulated Amortization	2016	2015
<b>Land and buildings (City of Toronto Social Housing Unit funded)</b>				
490 Huron Street	\$ 550,000	\$ 330,511	\$ 219,489	\$ 244,427
800 Adelaide St. West	7,231,220	4,111,379	3,119,841	3,409,291
	7,781,220	4,441,890	3,339,330	3,653,718
53 Strachan-leasehold improvements	4,070,985	3,252,524	818,461	984,285
	\$ 11,852,205	\$ 7,694,414	\$ 4,157,791	\$ 4,638,003

As a condition of the mortgage subsidies received for these properties, the Society may not sell or otherwise dispose of any or all of the property and equipment without the prior written consent of the City of Toronto.

Leasehold Interest

(a) 490 Huron Street

The Society entered into a lease agreement with the City of Toronto Non-Profit Housing Corporation, wherein the land has been leased by the Society for a term of forty (40) years commencing on the 1st day of March, 1988 and ending on the last day of February 2028.

Consideration for the entire term was paid and is capitalized as the cost of land.

(b) 800 Adelaide St. West

The Society entered into a lease agreement with the City of Toronto, wherein the land has been leased by the Society for a term of ninety-nine (99) years commencing on the 1st day of September, 1989 and ending on the last day of August 2088.

Consideration for the entire term was paid and is capitalized as the cost of land.

(c) 53 Strachan House

The Society entered into a lease agreement with the City of Toronto, wherein the land and buildings have been leased by the Society for a term of five (5) years commencing on the 1st day of May, 2003 and ending on the last day of April 2008.

The lease is continuing on a month to month basis.

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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2016	2015
Accounts payable and accrued liabilities	\$ 709,488	\$ 936,428
Accrued mortgage interest	34,731	61,255
Provision for repayment of subsidies	16,819	2,881
	<b>\$ 761,038</b>	<b>\$ 1,000,564</b>

**7. DEFERRED CONTRIBUTIONS**

	2016	2015
General	\$ 187,888	\$ 174,311
SCPI BCA Repairs Project	-	32,534
	<b>\$ 187,888</b>	<b>\$ 206,845</b>

**8. DEFERRED CAPITAL CONTRIBUTIONS**

	2016	2015
CMHC - land purchase and construction - 1322 Bloor Street West (Savard's)	\$ 640,949	\$ 640,949
City of Toronto - renovations - 53 Strachan House	4,070,975	4,070,975
	4,711,924	4,711,924
Portion of contributions relating to land recognized as a direct increase in net assets invested in property and equipment	(257,550)	(257,550)
Net	4,454,374	4,454,374
Accumulated amortization	(3,427,177)	(3,241,757)
Total	<b>\$ 1,027,197</b>	<b>\$ 1,212,617</b>

Consists of:

	2016	2015
1322 Bloor St. West (Savard's)	\$ 208,745	\$ 228,341
53 Strachan House	818,452	984,276
	<b>\$ 1,027,197</b>	<b>\$ 1,212,617</b>

**9. RESTRICTED CONTRIBUTION**

The balance consists primarily of an amount of \$100,000 received from The Toronto Real Estate Board to purchase a residence to house homeless families. In 2003, the Society spent \$10,963 on a feasibility study to determine whether an existing property could be expanded for housing. The remaining amount consists of interest earned on the funds. The amount continues to be held until the board of directors locates a suitable project to apply the funds towards.

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**10. MORTGAGES PAYABLE**

800 Adelaide St. West - 2.238%, repayable in blended monthly installments of \$30,161, maturing June 2019	\$	3,096,286	\$	3,385,735
87 Bellevue Avenue - 6.232%, repayable in blended monthly installments of \$19,540, maturing April 2028		1,910,889		2,024,005
175 Vaughan Road - 1.42%, repayable in blended monthly installments of \$17,327, maturing September 2020		1,710,234		1,892,546
50 Earl Street - 6.752%, repayable in blended monthly installments of \$16,675, maturing December 2024		1,737,341		1,818,797
434 Gerrard Street - 4.499%, repayable in blended monthly installments of \$9,526, maturing April 2017		1,209,115		1,268,104
90 Shuter Street - 1.830%, repayable in blended monthly installments of \$17,144, maturing October 2019		567,689		761,151
29 Wales Avenue - 6.129%, repayable in blended monthly installments of \$2,921, maturing April 2024		236,052		256,155
490 Huron Street - 2.882%, repayable in blended monthly installments of \$2,635, maturing September 2018		219,489		244,428
		10,687,095		11,650,921
Less current portion		2,144,706		962,573
	\$	8,542,389	\$	10,688,348

Estimated principal re-payments are as follows:

2017	\$	2,144,706
2018		1,128,921
2019		3,118,141
2020		1,424,176
2021		295,242
Subsequent years		2,575,909
	\$	10,687,095

Security

Each mortgage is secured by a first charge on the related property, an assignment of rents and leases and a general security agreement securing all goods, equipment, chattels, fixtures and appliances located on the respective properties.

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**11. RESERVE EXPENDITURES**

The City of Toronto replacement reserve expenditures consist of the following:

	2016	2015
<b>Ontario Housing Services Act - Section 78</b>		
Roofing	\$ 95,044	\$ 95,604
Foundation walls	32,563	34,090
Fire code compliance	4,930	-
Heating boilers	-	24,747
Building condition assessment, reserve fund study, energy audit	-	18,886
Security camera system	-	18,313
Unit turnovers	-	6,339
Entrance door - unit	-	5,576
	<b>132,537</b>	<b>203,555</b>
<b>Ontario Housing Services Act - Section 95</b>		
Roofing	18,103	-
Kitchen cabinets and countertops	8,070	24,454
Heating, ventilation and air conditioning	5,069	-
Building condition assessment, reserve fund study, energy audit	-	4,071
	<b>31,242</b>	<b>28,525</b>
<b>Strachan</b>		
Hot water tanks/heaters	-	53,675
<b>Total</b>	<b>\$ 163,779</b>	<b>\$ 285,755</b>

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**12. HOMES FIRST FOUNDATION**

The Society is the sole member of Homes First Foundation. The Foundation's purpose is to support the long-term financial viability and continued housing supply for Homes First Society. The Foundation was incorporated on November 7, 2001 under the Canada Corporations Act and is a charitable organization within the meaning of the Income Tax Act.

The Foundation's audited financial statements are summarized as follows:

	2016	2015
<b>Statement of Financial Position</b>		
Total assets	\$ 379,827	\$ 427,294
Total liabilities	87,159	35,242
Net assets	292,668	392,052
	\$ 379,827	\$ 427,294

	2016	2015
<b>Statement of Operations</b>		
Donations and fundraising	\$ 592,111	\$ 501,801
Grants	16,885	31,429
Interest	1,459	1,324
	610,455	534,554
Fundraising	199,327	184,495
Wages and benefits	191,749	164,318
Administrative overhead	38,613	21,158
Disbursement to Homes First Society	280,150	167,267
	709,839	537,238
Deficiency of revenues over expenditures for the year	\$ (99,384)	\$ (2,684)

**13. CONTINGENT LIABILITIES**

The Society has been named in a lawsuit along with three additional parties. In total, \$4,250,000 in damages and costs has been claimed by the plaintiff. The outcome of the lawsuit cannot currently be determined. While the Society has insurance coverage it cannot be determined at this time what if any portion of a possible judgment may be attributable to the Society or if any said amount would be covered by insurance. No amount has been accrued regarding this matter.

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**14. FINANCIAL INSTRUMENTS**

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

(a) Credit risk

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

(b) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society's exposure is dependent on its ability to repay trade creditors and long term debt as they become due. The Society expects to meet these obligations as they come due by generating sufficient cash flow from operations combined with the receipt of monthly subsidies from its funders.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk and other price risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed rate instruments subject the Society to risk of changes in fair value. The exposure to this risk also fluctuates as the quantity of fixed rate instruments held changes from year to year.

(e) Other price risk

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

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