

**HOMES FIRST SOCIETY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

HOMES FIRST SOCIETY

Financial Statements December 31, 2012 and 2011

<u>Index</u>	<u>Page</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Changes in Net Assets	4
Statements of Operations	5
Schedules of Government Funding - City of Toronto	6
Schedules of Revenue from Tenants	7
Schedules of Administrative and Program Expenses	8
Schedules of Maintenance Expenses	9
Schedules of Utilities Expenses	10
Statements of Cash Flows	11
Notes to the Financial Statements	12 - 20

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 statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, statements of changes in net assets and statement of cash flows and supporting schedules for the years ended December 31, 2012 and December 31, 2011, 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 Note 1.

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 Note 1, 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Homes First Society derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Homes First Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2012, December 31, 2011, total assets and net assets as at December 31, 2012, December 31, 2011 and January 1, 2011.

INDEPENDENT AUDITOR'S REPORT, continued

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Homes First Society as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with the financial reporting provisions of the operating agreements between Homes First Society and the specified users described in Note 1.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist 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, Ontario
April 16, 2013

HOMES FIRST SOCIETY
Statements of Financial Position

	December 31 2012	December 31 2011	January 1 2010
Assets			
Current			
Cash and cash equivalents (Note 4)	\$ 786,757	\$ 909,246	\$ 1,255,250
Accounts receivable (Note 7)	890,261	779,426	805,831
Prepays	87,166	81,151	75,967
Total current assets	1,764,184	1,769,823	2,137,048
Property and equipment (Note 8)	10,273,453	10,798,337	11,298,926
Assets under capital lease (Note 9)	6,015,969	6,452,159	6,880,346
Restricted Investments (Note 4)	2,394,014	2,555,916	2,486,677
Total Assets	\$20,447,620	\$21,576,235	\$22,802,997
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 11)	\$ 1,010,525	\$ 1,087,175	\$ 1,378,547
Deferred revenue (Note 12)	205,653	154,962	335,085
Total current liabilities	1,216,178	1,242,137	1,713,632
Deferred contributions related to property and equipment (Note 13)	1,768,877	1,954,297	2,139,716
Restricted contribution (Note 6)	109,339	109,339	109,339
Mortgages payable (Note 14)	14,237,653	15,013,307	15,756,664
Total Liabilities	17,332,047	18,319,080	19,719,351
Net Assets			
Externally restricted net assets (Note 5)	1,950,880	2,115,394	2,046,155
Internally restricted net assets (Note 5)	333,795	331,183	331,183
Unrestricted net assets	830,898	810,578	706,308
Total Net Assets	3,115,573	3,257,155	3,083,646
Total Liabilities and Net Assets	\$20,447,620	\$21,576,235	\$22,802,997

Approved on behalf of the board

Director

[Signature]

Date

16 April 2013

Director

[Signature]

Homes First Society
Statements of Changes in Net Assets
Years ended December 31, 2012 and 2011

	Externally Restricted Reserves Section 78	Externally Restricted Reserves 90 Shuter	Internally Restricted Strachan Capital Reserve	Internally Restricted Operating Capital Reserve	Un-restricted Net Assets	2012	2011
Balance, beginning of year	\$ 1,481,589	\$ 633,805	\$ 96,382	\$ 234,801	\$ 810,578	\$ 3,257,155	\$ 3,083,646
Add/(Deduct):							
Adjustment to prior year's funding	-	(15,874)	-	-	15,874	-	-
Reserve funding	124,970	22,500	-	-	-	147,470	142,617
Reserve investment income	42,630	22,981	-	2,612	-	68,223	72,644
Reserve expenditures (Note 15)	(274,358)	(87,363)	-	-	-	(361,721)	(146,022)
Excess of revenues over expenses	-	-	-	-	4,446	4,446	104,270
Balance, end of year	\$ 1,374,831	\$ 576,049	\$ 96,382	\$ 237,413	\$ 830,898	\$ 3,115,573	\$ 3,257,155

See notes to the financial statements

**Homes First Society
Statements of Operations
Years ended December 31, 2012 and 2011**

	Savard's	Strachan	Scarboro	HPI	Sec 78 Various	Sec 95 Shuter Properties	Managed Support for Daily Living	CAMH	2012	2011
Revenues										
Government Funding - City of Toronto (Schedule)	\$ 814,498	\$ 1,043,742	\$ 1,154,067	\$ 74,192	\$ 2,372,775	\$ 484,076	\$ -	\$ -	\$ 6,728,440	\$ 6,674,970
Revenue from Tenants (Schedule)	-	387,434	-	-	484,899	178,895	57,911	-	1,109,139	1,102,396
Other	36,580	5,533	200	-	1,386	13,081	-	330,945	387,725	19,749
Government Funding - MOHLTC	358,117	-	-	-	-	-	-	-	358,117	345,087
United Way	116,835	83,364	-	-	-	-	-	-	200,199	202,241
Amortization of deferred contributions related to property and equipment	19,596	165,824	-	-	-	-	-	-	185,420	185,419
Management fees	-	-	-	-	-	-	116,089	-	116,089	108,147
Non-rental income	-	9,082	-	-	12,736	25,885	6,166	-	53,869	51,984
Donations	8,200	3,304	1,750	-	-	-	-	-	13,254	142,946
Total revenues	1,353,826	1,698,283	1,156,017	74,192	2,871,796	701,937	180,166	330,945	9,152,252	8,832,939
Expenses										
Administrative and Program (Schedule)	1,155,793	1,074,333	991,657	70,703	366,944	157,805	88,815	258,784	4,827,012	4,198,682
Maintenance (Schedule)	146,747	324,759	119,711	3,216	607,576	181,084	72,503	32,524	1,605,501	1,771,549
Mortgage principal and interest	-	-	-	-	1,232,751	220,865	-	-	1,453,616	1,453,616
Utility costs (Schedule)	20,704	106,822	39,577	-	225,209	105,526	12,488	-	510,326	575,318
Property taxes	-	-	-	-	252,637	-	-	-	252,637	261,943
Amortization (Note 2)	19,596	165,824	-	-	-	-	-	-	185,420	185,419
Capital reserve contribution	-	-	-	-	124,970	22,500	-	-	147,470	142,617
Insurance and bad debts	9,084	18,043	3,214	-	45,293	11,190	6,371	-	93,462	116,427
Other expenses	1,758	6,067	1,858	133	15,223	2,592	386	39,514	72,362	23,098
Total expenses	1,353,682	1,695,848	1,156,017	74,052	2,870,603	701,562	180,563	330,822	9,147,806	8,728,669
Excess (Deficiency) of Revenues over Expenses	\$ 144	\$ 2,435	\$ -	\$ 140	\$ 1,193	\$ 375	\$ (397)	\$ 123	\$ 4,446	\$ 104,270

See notes to the financial statements

Homes First Society
Schedules of Government Funding - City of Toronto
Years ended December 31, 2012 and 2011

	Savard's	Strachan	Scarboro	HPI	Sec 78 Various	Sec 95 Shuter	Managed Support for Properties	Support for Daily Living	CAMH	2012	2011
Shelter per diem	\$ 749,457	\$ 921,823	\$ 1,122,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,793,506	\$ 2,758,934
Housing Services Act (HSA) - Section 78	-	-	-	-	2,372,775	-	-	-	-	2,372,775	2,294,449
Supports to daily living	-	-	-	-	-	-	-	785,090	-	785,090	785,090
Rent Supplement Program	-	-	-	-	-	409,751	-	-	-	409,751	400,498
Emergency hostel funding program	55,884	90,324	-	-	-	-	-	-	-	146,208	146,208
Homelessness partnership initiative (HPI)	-	-	-	74,192	-	-	-	-	-	74,192	177,596
Housing Services Act (HSA) - Section 95	-	-	-	-	-	59,820	-	-	-	59,820	59,820
Other	9,157	6,095	31,841	-	-	-	-	-	-	47,093	3,780
Food access project	-	25,500	-	-	-	-	-	-	-	25,500	25,500
Stimulus capital project funding	-	-	-	-	-	14,505	-	-	-	14,505	23,095
Total	\$ 814,498	\$ 1,043,742	\$ 1,154,067	\$ 74,192	\$ 2,372,775	\$ 484,076	\$ -	\$ 785,090	\$ -	\$ 6,728,440	\$ 6,674,970

See notes to the financial statements

Homes First Society
Schedules of Revenue from Tenants
Years ended December 31, 2012 and 2011

	Savard's	Strachan	Scarboro	HPI	Sec 78 Various	Sec 95 Shuter Properties	Managed Support for Daily Living	CAMH	2012	2011
Rent-geared-to-income rent	\$ -	\$ 387,434	\$ -	\$ -	\$ 484,899	\$ 166,602	\$ -	\$ -	\$ 1,096,846	\$ 1,056,007
Other rental income	-	-	-	-	-	12,293	-	-	12,293	46,389
Total	\$ -	\$ 387,434	\$ -	\$ -	\$ 484,899	\$ 178,895	\$ 57,911	\$ -	\$ 1,109,139	\$ 1,102,396

See notes to the financial statements

Homes First Society
Schedules of Administrative and Program Expenses
Years ended December 31, 2012 and 2011

	Savard's	Strachan	Scarboro	HPI	Sec 78 Various	Sec 95 Shuter	Managed Support for Properties	Daily Living	CAMH	2012	2011
Salaries and benefits	\$ 985,466	\$ 929,535	\$ 774,869	\$ 63,517	\$ 197,972	\$ 78,222	\$ 65,707	\$ 550,716	\$ 249,646	\$ 3,895,650	\$ 3,508,591
Other	48,644	58,916	8,282	2,636	100,235	56,901	15,345	36,103	4,713	331,775	161,768
Tenant services	84,196	40,000	127,284	-	-	-	917	13,155	1,298	266,850	233,088
Telephone/Fax/Internet	11,106	15,131	7,888	2,129	16,172	4,893	2,660	24,319	654	84,952	56,021
Rental charges	-	-	63,654	-	-	-	-	3,800	-	67,454	65,827
Supplies and general administrative	9,921	10,845	4,424	386	14,143	5,067	1,180	14,074	643	60,683	77,868
Computer supplies, repairs and maintenance	7,197	7,438	1,442	369	16,357	5,549	1,243	9,864	661	50,120	25,316
Office equipment	3,506	4,519	1,365	155	8,711	2,373	643	3,099	554	24,925	25,432
Travel	1,995	3,124	1,454	1,279	4,112	1,149	249	3,049	163	16,574	15,056
Membership dues	1,292	1,807	303	96	3,514	1,388	323	1,201	172	10,096	9,193
Meetings and conferences	721	1,050	169	54	1,961	775	180	1,510	96	6,516	9,260
Postage and courier	917	804	328	41	1,504	594	138	514	73	4,913	5,890
Interest and bank charges	546	764	128	41	1,485	587	137	508	73	4,269	4,542
Advertising and promotion	286	400	67	-	778	307	93	266	38	2,235	830
	\$ 1,155,793	\$ 1,074,333	\$ 991,657	\$ 70,703	\$ 366,944	\$ 157,805	\$ 88,815	\$ 662,178	\$ 258,784	\$ 4,827,012	\$ 4,198,682

See notes to the financial statements

Homes First Society
Schedules of Maintenance Expenses
Years ended December 31, 2012 and 2011

	Savard's	Strachan	Scarboro	HPI	Sec 78 Various	Sec 95 Shuter	Managed Support for Properties	Daily Living	CAMH	2012	2011
Building and equipment	\$ 26,877	\$ 80,284	\$ 26,574	\$ 168	\$ 164,846	\$ 43,023	\$ 29,017	\$ 6,079	\$ 27,572	\$ 404,440	\$ 710,283
Salaries and benefits	17,347	39,825	4,100	2,523	144,534	29,754	6,058	91,464	4,100	339,705	323,289
Other	56,139	85,911	31,337	46	105,691	22,980	14,993	1,650	74	318,821	310,429
Heating, air conditioning, ventilation and plumbing systems	29,614	47,277	38,877	-	55,755	10,971	6,963	269	-	189,726	107,758
Security	9,665	48,224	8,251	479	67,639	33,297	2,922	17,356	778	188,611	129,822
Waste removal	3,711	12,645	1,273	-	26,586	13,343	3,379	258	-	61,195	45,732
Electrical systems	2,844	3,673	8,917	-	8,876	12,243	513	305	-	37,371	50,857
Grounds	448	2,471	-	-	19,614	1,628	8,658	-	-	32,819	35,360
Elevators	-	3,190	-	-	13,790	10,120	-	-	-	27,100	42,969
Painting	102	1,259	382	-	245	3,725	-	-	-	5,713	15,050
	\$ 146,747	\$ 324,759	\$ 119,711	\$ 3,216	\$ 607,576	\$ 181,084	\$ 72,503	\$ 117,381	\$ 32,524	\$ 1,605,501	\$ 1,771,549

See notes to the financial statements

Homes First Society
Schedules of Utilities Expenses
Years ended December 31, 2012 and 2011

	Savard's	Strachan	Scarboro	HPI	Sec 78 Various	Sec 95 Shuter	Managed Support for Properties	Daily Living	CAMH	2012	2011
Electricity	\$ 10,715	\$ 35,743	\$ 19,658	\$ -	\$ 115,096	\$ 90,188	\$ 4,788	\$ -	\$ -	\$ 276,188	\$ 287,144
Fuel	4,630	51,643	13,736	-	54,211	-	7,371	-	-	131,591	205,005
Water and sewage	5,359	19,436	6,183	-	55,902	15,338	329	-	-	102,547	83,169
	\$ 20,704	\$ 106,822	\$ 39,577	\$ -	\$ 225,209	\$ 105,526	\$ 12,488	\$ -	\$ -	\$ 510,326	\$ 575,318

See notes to the financial statements

Homes First Society
Statements of Cash Flows
Years ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 4,446	\$ 104,270
Items not involving cash		
Amortization	961,074	928,776
Amortization of deferred contributions related to property and equipment	(185,420)	(185,419)
Adjustment to prior year's funding	15,874	-
	795,974	847,627
Change in non-cash working capital items		
Accounts receivable	(110,835)	26,405
Prepays	(6,015)	(5,184)
Accounts payable and accrued liabilities	(76,650)	(291,372)
Deferred revenue	50,691	(180,123)
Cash Provided by Operating Activities	653,165	397,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Externally restricted net assets	(164,514)	69,239
Restricted investments	161,902	(69,239)
Internally restricted net assets	2,612	-
Cash (Used in) Provided by Investing Activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgages payable	(775,654)	(743,357)
Cash Used in Financing Activities	(775,654)	(743,357)
(Decrease) Increase in cash and cash equivalents	(122,489)	(346,004)
Cash and cash equivalents, beginning of year	909,246	1,255,250
Cash and cash equivalents, end of year	\$ 786,757	\$ 909,246

HOMES FIRST SOCIETY
Notes to the Financial Statements
December 31, 2012, December 31, 2011 and January 1, 2011

1. PURPOSE AND NATURE OF THE ORGANIZATION

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

The Society is incorporated under The Corporations Act (Ontario) as a corporation without share capital to provide subsidized housing and transitional support services to its tenants and their families. The Society is a charitable organization within the meaning of the Income Tax Act.

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

2. 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) Amortization of property and equipment related to programs funded by the City of Toronto Social Housing Unit includes amortization of land and building costs and is equal to the principal repaid on the mortgage. Amortization is not based on the estimated useful life of the related asset.
- (ii) Some capital expenditures incurred are charged against reserve balances.
- (iii) Reserves for future capital replacement are appropriated from operations.
- (iv) Investment income earned on the replacement reserves is credited directly to the reserve rather than operations.
- (v) Long-term debt is not segregated between current and long-term on the statement of financial position.
- (vi) Long-term land leases have been treated as capital leases rather than operating leases.

(b) Recognition of Contributions

The Society follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

HOMES FIRST SOCIETY
Notes to the Financial Statements
December 31, 2012, December 31, 2011 and January 1, 2011

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Consolidation

Home 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.

(d) Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

(e) Property and equipment

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

Buildings	25 years Straight-line
Furniture and equipment	3 years Straight-line
Appliances	5 years Straight-line

(f) Deferred contributions related to property and equipment

Deferred contributions related to property and equipment include the unamortized portions of the restricted contributions relating to the purchase of property and equipment. The deferred contributions will be recognized as revenue on the same basis the property and equipment are being amortized.

(g) Contributed services

The Society benefits from various contributed services of volunteers. Due to the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(h) Allocation of expenses

The Society engages in housing and transitional support services. The costs of each program includes the costs of personnel and other expenses that are directly related to providing the services. The Society also incurs other expenses 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 expenses by identifying the appropriate basis of allocating each component expense, and applies the basis consistently each year based on assumptions made by management. These costs are included in the revenues and expenses per the schedules attached to the financial statements.

(i) 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 cost or 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 net income.

Financial assets measured at amortized cost on a straight-line basis include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities and mortgages payable.

Financial assets measured at fair value include marketable securities.

HOMES FIRST SOCIETY
Notes to the Financial Statements
December 31, 2012, December 31, 2011 and January 1, 2011

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) **Use of estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses.

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

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

Effective January 1, 2012, the organization elected to apply the standards in Part III of the CICA Handbook - Accounting Standards for Not-for-Profit Organizations (ASNPO).

These are the first financial statements prepared in accordance with this new framework which has been applied retrospectively. The accounting policies set out above have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and in the preparation of an opening balance sheet as at January 1, 2011, which is the organization's date of transition.

The organization previously issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by Part V of the CICA Handbook.

The adoption of ASNPO has had no impact on the previously reported assets, liabilities and net assets of the organization, and accordingly, no adjustments have been recorded in the comparative statements of financial position, statement of operations and net funds and statement of cash flow. Certain of the organization's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of ASNPO with the required financial reporting framework described in Note 2 and mandated by funders specified in Note 1.

4. CASH AND CASH EQUIVALENTS AND RESTRICTED INVESTMENTS

	December 31 2012	December 31 2011	January 1 2011
Cash and Cash Equivalents			
Cash	\$ 736,824	\$ 476,603	\$ 1,213,319
Guaranteed investment certificates	30,759	29,963	29,963
Receivable from restricted investments	19,174	402,680	11,968
	<u>786,757</u>	<u>909,246</u>	<u>1,255,250</u>
Restricted Investments			
Bond funds	1,757,814	2,566,381	2,155,270
Equity funds	212,241	192,215	132,684
Guaranteed investment certificates	443,133	200,000	210,691
Payable to operations	(19,174)	(402,680)	(11,968)
	<u>\$ 2,394,014</u>	<u>\$ 2,555,916</u>	<u>\$ 2,486,677</u>

Guaranteed investment certificates in the amount of \$11,000 are used as collateral for the Society's credit cards.

5. RESTRICTIONS ON NET ASSETS

The external restrictions on net assets are for the City of Toronto replacement reserves that are subject to the terms as set out by the City of Toronto. The funds can only be used for capital expenditures that conform to the City of Toronto guidelines.

Internally restricted net assets of \$333,795 primarily derived from the operating account are to be used to fund major repairs and maintenance projects at Strachan and other locations, which have no established specific reserve account, as approved by the Board of Directors.

HOMES FIRST SOCIETY

Notes to the Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

6. 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 amount continues to be held until the board of directors locates a suitable project to apply the funds towards.

7. ACCOUNTS RECEIVABLE

	December 31 2012	December 31 2011	January 1 2011
Government funding	\$ 667,524	\$ 430,353	\$ 546,671
HST rebate	226,449	317,900	222,413
Rent, net of allowance for doubtful accounts	5,962	31,173	32,621
Management fee	(9,674)	-	4,126
	<u>\$ 890,261</u>	<u>\$ 779,426</u>	<u>\$ 805,831</u>

8. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	December 31 2012	December 31 2011	January 1 2011
Land and buildings (City of Toronto Social Housing Unit funded)					
175 Vaughan Road	\$ 3,813,767	\$ (1,473,170)	\$ 2,340,597	\$ 2,475,772	\$ 2,605,327
29 Wales Avenue	492,999	(182,910)	310,089	325,801	340,646
87 Bellevue Avenue	3,320,114	(994,715)	2,325,399	2,413,313	2,496,392
50 Earl Street	2,657,576	(621,597)	2,035,979	2,097,872	2,156,165
434 Gerrard Street	1,970,878	(540,765)	1,430,113	1,479,486	1,526,711
90 Shuter Street	3,102,881	(1,818,061)	1,284,820	1,440,041	1,588,037
	<u>15,358,215</u>	<u>(5,631,218)</u>	<u>9,726,997</u>	<u>10,232,285</u>	<u>10,713,278</u>
1322 Bloor Street West					
Land	257,550	-	257,550	257,550	257,550
Building and renovations	488,929	(200,023)	288,906	308,502	328,098
	<u>746,479</u>	<u>(200,023)</u>	<u>546,456</u>	<u>566,052</u>	<u>585,648</u>
Total	\$16,104,694	\$ (5,831,241)	\$10,273,453	\$10,798,337	\$11,298,926

HOMES FIRST SOCIETY
Notes to the Financial Statements
December 31, 2012, December 31, 2011 and January 1, 2011

9. ASSETS UNDER CAPITAL LEASE

	Cost	Accumulated Amortization	December 31 2012	December 31 2011	January 1 2011
Land and buildings (City of Toronto Social Housing Unit funded)					
490 Huron Street	\$ 550,000	\$ (236,089)	\$ 313,911	\$ 334,437	\$ 354,165
800 Adelaide St. W.	7,231,220	(3,010,919)	4,220,301	4,470,142	4,712,778
	7,781,220	(3,247,008)	4,534,212	4,804,579	5,066,943
53 Strachan- leasehold improvements	4,070,985	(2,589,228)	1,481,757	1,647,580	1,813,403
	\$ 11,852,205	\$ (5,836,236)	\$ 6,015,969	\$ 6,452,159	\$ 6,880,346

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.

10. 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 a 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 a 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.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2012	December 31 2011	January 1 2011
Accounts payable and accrued liabilities	\$ 823,963	\$ 900,613	\$ 1,251,985
Provision for repayment of subsidies	125,307	125,307	65,307
Accrued mortgage interest	61,255	61,255	61,255
	\$ 1,010,525	\$ 1,087,175	\$ 1,378,547

The provision for the repayment of subsidies is an estimate of the amount of funding repayable to the City of Toronto based on the Annual Information Returns filed for 2010 and 2011 that have not yet been approved by the City of Toronto. No accrual has been provided for by the Society for 2012 as management believes that no amount will be owing in the current fiscal year based on the current year's financial results. Any differences between the amounts estimated and amounts ultimately assessed by the City of Toronto will be adjusted directly to unrestricted net assets.

HOMES FIRST SOCIETY
Notes to the Financial Statements
December 31, 2012, December 31, 2011 and January 1, 2011

12. DEFERRED REVENUE

	December 31 2012	December 31 2011	January 1 2011
SCPI BCA Repairs Project	\$ 28,734	\$ 28,734	\$ 28,734
General	176,919	126,228	306,351
	<u>\$ 205,653</u>	<u>\$ 154,962</u>	<u>\$ 335,085</u>

13. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

	December 31 2012	December 31 2011	January 1 2011
CMHC - land purchase and construction - 1322 Bloor Street West (Savard's)	\$ 640,949	\$ 640,949	\$ 640,949
City of Toronto - renovations - 53 Strachan House	4,070,975	4,070,975	4,070,975
	4,711,924	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)	(257,550)
Net	4,454,374	4,454,374	4,454,374
Accumulated amortization	(2,685,497)	(2,500,077)	(2,314,658)
Total	<u>\$ 1,768,877</u>	<u>\$ 1,954,297</u>	<u>\$ 2,139,716</u>

Consists of:

	December 31 2012	December 31 2011	January 1 2011
1322 Bloor St. West (Savard's)	\$ 287,129	\$ 306,725	\$ 326,321
53 Strachan House	1,481,748	1,647,572	1,813,395
	<u>\$ 1,768,877</u>	<u>\$ 1,954,297</u>	<u>\$ 2,139,716</u>

HOMES FIRST SOCIETY
Notes to the Financial Statements
December 31, 2012, December 31, 2011 and January 1, 2011

14. MORTGAGES PAYABLE

	December 31 2012	December 31 2011	January 1 2011
175 Vaughan Road - 4.318%, repayable in monthly installments of \$19,878, maturing September 2015	\$ 2,340,597	\$ 2,475,772	\$ 2,605,326
29 Wales Avenue - 6.129%, repayable in monthly installments of \$2,921, maturing April 2024	310,090	325,802	340,647
800 Adelaide St. West - 2.947%, repayable in monthly installments of \$31,396, maturing June 2014	4,196,745	4,446,586	4,689,223
87 Bellevue Avenue - 6.232%, repayable in monthly installments of \$19,540, maturing April 2028	2,325,399	2,413,312	2,496,392
90 Shuter Street - 4.840%, repayable in monthly installments of \$18,405, maturing December 2014	1,284,819	1,440,040	1,588,035
50 Earl Street - 6.752%, repayable in monthly installments of \$16,675, maturing December 2024	2,035,979	2,097,872	2,156,165
434 Gerrard Street - 4.4985%, repayable in monthly installments of \$9,526, maturing April 2017	1,430,113	1,479,486	1,526,711
490 Huron Street - 4.028%, repayable in monthly installments of \$2,793, maturing September 2013	313,911	334,437	354,165
	\$ 14,237,653	\$ 15,013,307	\$ 15,756,664

Estimated principal re-payments are as follows:

2013	\$ 1,103,478
2014	5,449,745
2015	2,309,671
2016	272,410
2017	1,437,205
Subsequent to 2017	3,665,144
	\$ 14,237,653

Security

Each mortgage is secured by a fixed specific 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.

HOMES FIRST SOCIETY
Notes to the Financial Statements
December 31, 2012, December 31, 2011 and January 1, 2011

15. RESERVE EXPENDITURES

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

	2012	2011
Ontario Housing Services Act - Section 78		
Roofing	\$ 14,858	\$ 12,649
Hot water tanks/heaters	8,682	26,462
Building exterior	11,514	52,436
Waterproofing	-	24,933
Common area kitchen	-	7,738
Fire escape replacement	174,544	-
Air make up unit	41,411	-
Alarm control panel	9,295	-
Security camera system	3,272	-
Caulking	4,961	-
Unit repairs	5,821	-
Amount recovered from operations	-	(15,875)
	274,358	108,343
Ontario Housing Services Act - Section 95		
Kitchen replacement	22,684	-
Storage	4,139	-
Emergency door replacement	2,417	-
Drainage	37,653	-
Elevator replacement	20,470	-
Lighting	-	3,420
Door replacement	-	14,678
Water booster system	-	19,581
	\$ 87,363	\$ 37,679

16. SOCIAL HOUSING RENOVATION AND RETROFIT PROGRAM

The Society's financial statements for the years ended 2011, 2010 and 2009 included expenditures incurred for which payment was received as part of the Social Housing Renovation and Retrofit Program (SHRRP) totaling \$1,258,498. The breakdown of SHRRP payments received by year are as follows: \$87,363 in 2012, \$76,132 in 2011 and \$1,095,003 in 2010.

HOMES FIRST SOCIETY
Notes to the Financial Statements
December 31, 2012, December 31, 2011 and January 1, 2011

17. 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 Ontario 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:

	December 31 2012	December 31 2011	January 1 2011
Statement of Financial Position			
Total assets	\$ 222,792	\$ 177,424	\$ 152,281
Total liabilities	48,394	28,977	12,047
Net assets	174,398	148,447	140,234
	\$ 222,792	\$ 177,424	\$ 152,281

	2012	2011
Statement of Operations		
Donations	\$ 157,537	\$ 34,092
Grant	34,200	-
	191,737	34,092
Wages and benefits	87,914	-
Administrative overhead	24,887	5,368
Fundraising activities	2,765	20,512
Disbursement to Homes First Society	50,220	-
	165,786	25,880
Excess of revenue over expenses	\$ 25,951	\$ 8,212

As at December 31, 2012, \$41,443 is owing from the Foundation to the Society.

18. 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 accounts receivable. There has been no change to the risk exposure from the prior year.

(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 its mortgages and trade creditors as payments become due. There has been no change to the risk exposure from the prior year.

(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 does not have significant exposure to any of these types of risk.