

**HOMES FIRST SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018**

HOMES FIRST SOCIETY

Financial Statements December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Homes First Society

Opinion

We have audited the financial statements of Homes First Society, which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and its financial performance 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 for Opinion

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 Society 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 opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Members of Homes First Society to meet the requirements of the financial reporting provisions of the operating agreements between Homes First Society and the specified users described in the notes to the financial statements. 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. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

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 Society'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 Society'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 Society 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.

Akler Browning LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
May 14, 2019

HOMES FIRST SOCIETY
Statement of Financial Position
December 31, 2018

	2018	2017
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 243,941	\$ 1,081,186
Accounts receivable (Note 3)	889,370	227,816
Government funding receivable	1,679,599	528,433
Prepays	144,724	119,325
Total current assets	2,957,634	1,956,760
Property and equipment (Note 4)	9,244,624	7,139,645
Assets under capital lease (Note 5)	3,175,512	3,670,340
Restricted investments (Note 2)	2,125,979	2,271,000
Total Assets	\$ 17,503,749	\$ 15,037,745
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 2,090,880	\$ 1,040,471
Government remittances payable	39,592	42,506
Deferred contributions	518,503	281,190
Current portion of mortgages payable (Note 9)	3,341,378	1,202,968
Total current liabilities	5,990,353	2,567,135
Deferred capital contributions (Note 7)	656,357	841,777
Restricted contribution (Note 8)	116,757	115,997
Mortgages payable (Note 9)	7,633,381	8,482,350
Total Liabilities	14,396,848	12,007,259
Net Assets		
Externally restricted reserves	1,764,621	1,883,373
Internally restricted reserve	244,601	271,630
Unrestricted net assets	1,097,679	875,483
Total Net Assets	3,106,901	3,030,486
Total Liabilities and Net Assets	\$ 17,503,749	\$ 15,037,745

Approved on behalf of the board

Director

Jeremy Roach
 Date May 14, 2019

Director

[Signature]

Homes First Society
Statement of Changes in Net Assets
Year ended December 31, 2018

	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	2018	2017
Balance, beginning of year	1,231,538	217,982	293,151	140,702	271,630	875,483	3,030,486	2,871,030
Add/(Deduct):								
Allocation from operations	136,343	22,500	21,600	63,000	-	-	243,443	233,587
Reserve investment (loss) income	(10,587)	(1,866)	2,024	1,657	1,818	-	(6,954)	55,524
Interfund transfers (Note 13)	-	-	-	(150,000)	(28,847)	178,847	-	-
Reserve expenditures (Note 10)	(53,017)	(150,406)	-	-	-	-	(203,423)	(181,248)
Adjustment to prior year's funding	-	-	-	-	-	9,024	9,024	49,363
Excess of revenues over expenditures	-	-	-	-	-	34,325	34,325	2,230
Balance, end of year	1,304,277	88,210	316,775	55,359	244,601	1,097,679	3,106,901	3,030,486

Homes First Society
Statement of Operations
Year Ended December 31, 2018

	Savard's	Strachan	Scarboro	Kennedy	Follow up Support Services	CAMH	Section 78 Various	Section 95 Shuter	Managed Properties	Support for Daily Living	Queen Elizabeth Building	George Street	2018	2017
Revenues														
City of Toronto (Schedule)	830,510	1,333,137	1,754,817	2,402,330	201,328	-	2,843,293	439,794	-	822,003	808,502	3,230,875	14,666,589	9,601,680
Revenues from tenants	-	440,041	18,901	-	-	-	601,267	191,217	60,115	-	-	-	1,311,541	1,197,133
Government funding MOHLTC	352,203	-	-	-	-	-	-	-	-	-	-	-	352,203	346,294
CAMH high support funding	-	-	20,923	-	-	257,403	-	-	-	-	-	-	278,326	277,382
Donations	3,254	88,500	63,000	620	-	-	54,500	-	-	30,200	-	-	240,074	413,739
United Way	118,142	83,749	-	-	-	-	-	-	-	-	-	-	201,891	200,681
Amortization of contributions	19,596	165,824	-	-	-	-	-	-	-	-	-	-	185,420	185,420
Management fees	-	-	-	-	-	-	-	-	116,089	-	-	-	116,089	116,089
Non-rental income	-	1,826	2,140	1,620	-	-	11,368	29,611	5,257	-	-	-	51,822	63,902
Interest, signage, & other	311	6,922	-	-	-	-	120	-	5,453	-	-	-	12,806	36,529
	1,324,016	2,119,999	1,859,781	2,404,570	201,328	257,403	3,510,548	660,622	186,914	852,203	808,502	3,230,875	17,416,761	12,438,849
Expenditures														
Administrative and Program (Schedule)	1,113,628	1,393,742	1,024,639	1,900,840	189,803	255,967	483,853	109,965	72,404	840,818	663,459	2,414,304	10,463,422	6,748,293
Maintenance (Schedule)	152,117	386,682	238,129	356,975	11,502	1,400	1,078,296	181,011	87,146	11,362	143,295	808,469	3,456,384	2,667,627
Mortgage principal and interest	-	-	64,330	-	-	-	1,166,520	205,421	-	-	-	-	1,436,271	1,375,117
Utilities (Schedule)	24,514	124,358	59,776	128,234	-	-	300,355	119,008	18,058	-	-	-	774,303	824,634
Property taxes	-	-	27,644	-	-	-	291,261	-	-	-	-	-	318,905	296,346
Property write- down to fair value (Note 4)	-	-	310,000	-	-	-	-	-	-	-	-	-	310,000	-
Amortization	19,596	165,824	67,081	-	-	-	-	-	-	-	-	-	252,501	185,420
Allocation to restricted reserve funds	-	21,600	63,000	-	-	-	136,343	22,500	-	-	-	-	243,443	233,587
Insurance and bad debts	3,610	20,705	8,853	10,300	23	36	47,349	18,159	8,851	23	1,748	7,550	127,207	105,595
	1,313,465	2,112,911	1,863,452	2,396,349	201,328	257,403	3,503,977	656,064	186,459	852,203	808,502	3,230,323	17,382,436	12,436,619
Excess (Deficiency) of Revenues over Expenditures														
	10,551	7,088	(3,671)	8,221	-	-	6,571	4,558	455	-	-	552	34,325	2,230

Homes First Society
Schedule of Government Funding - City of Toronto
December 31, 2018

	Savard's	Strachan	Scarboro	Kennedy	Follow up Support Services	CAMH	Section 78 Various	Section 95 Shuter	Managed Properties	Support for Daily Living	Queen Elizabeth Building	George Street	2018	2017
Shelter allocation	750,122	1,173,440	1,674,429	2,364,535	-	-	-	-	-	-	808,502	3,230,875	10,001,903	5,297,306
Housing Services Act														
Section 78	-	-	-	-	-	-	2,534,680	-	-	-	-	-	2,534,680	2,521,530
Support for daily living	-	-	-	-	-	-	-	-	-	785,090	-	-	785,090	785,091
Rent supplement program	-	-	-	-	-	-	-	439,794	-	-	-	-	439,794	470,344
Other City funding (Note 11)	15,000	-	15,000	37,795	-	-	308,613	-	-	36,913	-	-	413,321	59,669
Assertive follow up support services	-	-	-	-	201,328	-	-	-	-	-	-	-	201,328	177,270
Emergency hostel funding	65,388	65,400	65,388	-	-	-	-	-	-	-	-	-	196,176	196,176
HHB funding	-	64,354	-	-	-	-	-	-	-	-	-	-	64,354	64,351
Food access project	-	29,943	-	-	-	-	-	-	-	-	-	-	29,943	29,943
	830,510	1,333,137	1,754,817	2,402,330	201,328	-	2,843,293	439,794	-	822,003	808,502	3,230,875	14,666,589	9,601,680

Homes First Society
Schedule of Administrative and Program Expenditures
December 31, 2018

	Savard's	Strachan	Scarboro	Kennedy	Follow up Support Services	CAMH	Section 78 Various	Section 95 Shuter	Managed Properties	Support for Daily Living	Queen Elizabeth Building	George Street	2018	2017
Salaries and benefits	966,956	1,168,154	732,605	1,571,138	167,137	233,736	313,378	40,658	58,233	778,217	312,604	1,450,593	7,793,409	5,377,610
Tenant services	84,442	100,536	188,297	212,527	2,570	826	22,939	11,896	1,527	14,180	331,360	815,685	1,786,785	516,549
Professional fees	24,950	63,185	13,010	30,718	6,859	10,467	98,297	10,316	4,202	6,823	1,936	70,184	340,947	166,227
Telephone, Fax, Internet	12,133	19,778	11,654	18,431	2,942	2,478	18,463	2,284	2,346	16,900	5,731	18,014	131,154	102,180
Rental charges	-	2	63,012	30,152	-	-	-	-	2,320	-	-	-	95,486	263,421
Computer supplies, maintenance and repairs	4,429	14,583	6,118	9,480	2,141	2,189	7,203	2,051	879	11,552	6,285	20,198	87,108	67,613
General and supplies	7,544	7,899	2,464	10,202	948	1,447	7,670	2,750	674	3,861	3,632	18,202	67,293	49,689
Office equipment	4,676	7,846	3,400	7,997	1,751	1,026	2,508	5,223	1,072	2,717	1,192	6,336	45,744	44,142
Other miscellaneous expenses	579	-	770	-	510	778	-	31,248	-	507	-	19	34,411	39,414
Conference and meetings	2,743	5,266	544	4,217	941	1,355	6,293	1,346	544	903	608	7,796	32,556	51,050
Membership dues	1,270	2,530	471	1,842	411	628	2,915	588	252	409	-	3,609	14,925	8,018
Travel	2,111	592	1,953	1,535	3,012	150	70	774	-	4,172	111	215	14,695	43,404
Advertising and promotion	868	1,630	165	1,258	281	429	1,991	402	172	279	-	2,465	9,940	7,846
Interest and bank charges	579	1,088	110	839	187	286	1,328	268	114	186	-	-	4,985	6,218
Postage and courier	348	653	66	504	113	172	798	161	69	112	-	988	3,984	4,912
	1,113,628	1,393,742	1,024,639	1,900,840	189,803	255,967	483,853	109,965	72,404	840,818	663,459	2,414,304	10,463,422	6,748,293

Homes First Society
Schedule of Maintenance Expenditures
December 31, 2018

	Savard's	Strachan	Scarboro	Kennedy	Follow up Support Services	CAMH	Section 78 Various	Section 95 Shuter	Managed Properties	Support for Daily Living	Queen Elizabeth Building	George Street	2018	2017
Equipment and building	20,245	102,360	67,473	29,579	535	818	621,099	47,027	34,282	534	32,736	64,235	1,020,923	697,148
Maintenance and repairs	38,524	95,115	65,092	166,498	81	123	116,930	43,388	23,875	-	94,344	143,613	787,583	492,585
Security	14,030	32,857	19,930	14,249	78	118	135,743	35,218	4,339	77	15,861	490,846	763,346	181,821
Salaries and benefits	32,691	61,424	6,198	47,407	10,585	-	75,004	15,137	6,485	10,529	-	92,880	358,340	357,543
HVAC and plumbing	28,963	21,621	15,512	53,655	43	66	29,071	12,139	5,950	43	126	-	167,189	340,295
Waste removal	13,382	53,773	42,930	10,953	-	-	27,047	1,812	1,581	-	-	12,459	163,937	116,106
Painting	-	4,168	-	9,211	-	-	3,481	1,745	-	-	-	1,133	19,738	150,541
Electrical systems	3,755	7,420	19,539	9,595	180	275	27,799	10,202	793	179	228	2,403	82,368	101,942
Grounds	527	3,317	1,455	10,485	-	-	27,631	1,953	9,841	-	-	900	56,109	44,820
Elevators	-	4,627	-	5,343	-	-	14,491	12,390	-	-	-	-	36,851	184,826
	152,117	386,682	238,129	356,975	11,502	1,400	1,078,296	181,011	87,146	11,362	143,295	808,469	3,456,384	2,667,627

Homes First Society
Schedule of Utilities Expenditures
December 31, 2018

	Savard's	Strachan	Scarboro	Kennedy	Follow up Support Services	CAMH	Section 78 Various	Section 95 Shuter	Managed Properties	Support for Daily Living	Queen Elizabeth Building	George Street	2018	2017
Electricity	12,203	40,274	36,065	81,408	-	-	121,504	85,334	6,211	-	-	-	382,999	473,247
Water and sewage	6,750	34,237	9,204	26,731	-	-	116,911	33,674	3,839	-	-	-	231,346	218,367
Fuel	5,561	49,847	14,507	20,095	-	-	61,940	-	8,008	-	-	-	159,958	133,020
	24,514	124,358	59,776	128,234	-	-	300,355	119,008	18,058	-	-	-	774,303	824,634

Homes First Society
Statement of Cash Flows
Year ended December 31, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 34,325	\$ 2,230
Items not involving cash		
Amortization	1,288,478	1,187,198
Amortization of deferred capital contributions	(185,420)	(185,420)
Adjustment to prior year's funding	9,024	49,363
Write down to fair value of property and equipment	310,000	-
	<u>1,456,407</u>	<u>1,053,371</u>
Change in non-cash working capital items		
Accounts receivable	(661,554)	(96,354)
Government funding receivable	(1,151,166)	111
Prepays	(25,399)	35,087
Accounts payable and accrued liabilities	1,050,407	297,700
Government remittances payable	(2,914)	12,618
Deferred contributions	237,313	93,302
Cash Provided by Operating Activities	<u>903,094</u>	<u>1,395,835</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,208,628)	-
Cash Used In Investing Activities	<u>(3,208,628)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgages payable	1,289,442	(1,001,777)
Transfer from restricted funds	178,847	-
Cash Provided by (Used In) Financing Activities	<u>1,468,289</u>	<u>(1,001,777)</u>
(Decrease) Increase in cash and cash equivalents	<u>(837,245)</u>	<u>394,058</u>
Cash and cash equivalents, beginning of year	<u>1,081,186</u>	<u>687,128</u>
Cash and cash equivalents, end of year	<u>\$ 243,941</u>	<u>\$ 1,081,186</u>

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

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.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

- (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.

(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 expenditures 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 Worldsource Financial Management Inc.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(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.

(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) Impairment of long-lived assets

Property and equipment subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(h) 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.

(i) 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.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Allocation of expenditures

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.

(k) 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 bank indebtedness, 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.

HOMES FIRST SOCIETY
Notes to the Financial Statements
December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(l) 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.

2. CASH AND CASH EQUIVALENTS AND RESTRICTED INVESTMENTS

	2018	2017
Cash and Cash Equivalents		
Cash	\$ 231,044	\$ 231,589
Guaranteed investment certificates	12,897	849,597
	243,941	1,081,186
Restricted Investments		
Bond funds	1,093,630	1,081,638
Guaranteed investment certificates	733,492	821,479
Equity funds	343,439	367,883
Due to operating account	(44,582)	-
	2,125,979	2,271,000
Total	\$ 2,369,920	\$ 3,352,186

Guaranteed investment certificates in the amount of \$12,897 are used as collateral for the Society's credit cards.

HOMES FIRST SOCIETY
Notes to the Financial Statements
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3. ACCOUNTS RECEIVABLE

	2018	2017
HST rebate receivable	\$ 842,714	\$ 228,984
Due from Homes First Foundation	25,002	8,376
Rent receivable	48,823	6,846
Allowance for doubtful accounts	(27,169)	(16,390)
	\$ 889,370	\$ 227,816

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2018	2017
Land and buildings (City of Toronto Social Housing Unit funded)				
87 Bellevue Avenue	\$ 3,320,114	\$ 1,657,386	\$ 1,662,728	\$ 1,790,615
50 Earl Street	2,657,576	1,100,309	1,557,267	1,650,292
175 Vaughan Road	3,813,767	2,475,989	1,337,778	1,525,324
434 Gerrard Street	1,970,878	906,484	1,064,394	1,139,580
29 Wales Avenue	492,999	300,983	192,016	214,698
90 Shuter St	3,102,881	2,932,867	170,014	370,661
	15,358,215	9,374,018	5,984,197	6,691,170
1322 Bloor Street West				
Land	257,550	-	257,550	257,550
Building	488,929	317,600	171,329	190,925
	746,479	317,600	428,879	448,475
4117 Lawrence Avenue				
4117 Lawrence Ave Land	724,657	-	724,657	-
4117 Lawrence Ave	2,173,972	67,081	2,106,891	-
	2,898,629	67,081	2,831,548	-
Total	\$ 19,003,323	\$ 9,758,699	\$ 9,244,624	\$ 7,139,645

Subsequent to the end of the year, the Society entered into an agreement with the City of Toronto regarding the sale of the property located at 4117 Lawrence Avenue. While final details of the transaction are to be agreed upon prior to closing of the transaction in 2019, the carrying amount of the property has been adjusted to the anticipated sale price.

The Society has been informed that after the disposition, the City of Toronto will engage the Society to manage the operations at 4117 Lawrence Avenue.

5. ASSETS UNDER CAPITAL LEASE

	Cost	Accumulated Amortization	2018	2017
800 Adelaide St. West	\$ 7,231,220	\$ 4,709,968	\$ 2,521,252	\$ 2,823,877
490 Huron Street	550,000	382,553	167,447	193,826
	7,781,220	5,092,521	2,688,699	3,017,703
53 Strachan - leasehold improvements	4,070,985	3,584,172	486,813	652,637
Total	\$ 11,852,205	\$ 8,676,693	\$ 3,175,512	\$ 3,670,340

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.
- (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.

HOMES FIRST SOCIETY
Notes to the Financial Statements
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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable and accrued liabilities	\$ 2,058,226	\$ 1,010,661
Accrued mortgage interest	32,654	29,810
	<u>\$ 2,090,880</u>	<u>\$ 1,040,471</u>

7. DEFERRED CAPITAL CONTRIBUTIONS

	2018	2017
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)
Accumulated amortization	(3,798,017)	(3,612,597)
Total	<u>656,357</u>	<u>841,777</u>
Consists of:		
1322 Bloor St. West	169,553	189,149
53 Strachan House	486,804	652,628
	<u>\$ 656,357</u>	<u>\$ 841,777</u>

8. RESTRICTED CONTRIBUTION

The balance includes 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.

HOMES FIRST SOCIETY
Notes to the Financial Statements
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9. MORTGAGES PAYABLE

	2018	2017
800 Adelaide St. West - 2.238%, repayable in blended monthly installments of \$30,161, maturing June 2019	\$ 2,497,696	\$ 2,800,322
87 Bellevue Avenue - 6.232%, repayable in blended monthly installments of \$19,540, maturing April 2028	1,662,727	1,790,614
175 Vaughan Road - 1.42%, repayable in blended monthly installments of \$17,327, maturing September 2020	1,337,778	1,525,324
50 Earl Street - 6.752%, repayable in blended monthly installments of \$16,675, maturing December 2024	1,557,267	1,650,292
434 Gerrard Street - 2.040%, repayable in blended monthly installments of \$8,136, maturing April 2022	1,064,394	1,139,580
90 Shuter Street - 1.830%, repayable in blended monthly installments of \$17,144, maturing October 2019	170,014	370,661
29 Wales Avenue - 6.129%, repayable in blended monthly installments of \$2,921, maturing April 2024	192,016	214,698
490 Huron Street - 3.030%, repayable in blended monthly installments of \$2,646, maturing September 2023	167,448	193,827
4117 Lawrence Avenue - 4.250%, repayable in blended monthly installments of \$17,999, maturing May 2023	2,325,419	-
	10,974,759	9,685,318
Less current portion	3,341,378	1,202,968
Due beyond one year	\$ 7,633,381	\$ 8,482,350
Estimated principal re-payments are as follows:		
2019	\$ 3,341,378	
2020	1,654,887	
2021	533,695	
2022	1,308,907	
2023	530,136	
Subsequent years	3,605,756	
	\$ 10,974,759	

HOMES FIRST SOCIETY
Notes to the Financial Statements
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9. MORTGAGES PAYABLE, continued

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.

10. RESERVE EXPENDITURES

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

	2018	2017
Ontario Housing Services Act - Section 78		
Sidewalks, stairways and ramps	\$ 53,017	\$ -
Make up air units	-	65,872
Retaining walls	-	40,501
Fencing	-	36,358
Heating boilers	-	15,961
Common and service area lighting	-	12,395
Fire code compliance	-	10,161
	53,017	181,248
Ontario Housing Services Act - Section 95		
Building condition assessments	150,406	-
	150,406	-
Total	\$ 203,423	\$ 181,248

11. OTHER CITY FUNDING

	2018	2017
Social housing improvement program	\$ 243,754	\$ 5,288
Homelessness partnership strategy	64,859	36,492
Enhanced case management funding	37,795	-
Toronto Public Health	36,913	13,889
Community engagement funding	15,000	-
Health and safety funding	15,000	-
Capacity building funding	-	4,000
	\$ 413,321	\$ 59,669

HOMES FIRST SOCIETY
Notes to the Financial Statements
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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 the 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:

	2018	2017
Statement of Financial Position		
Total assets	\$ 189,058	\$ 234,914
Total liabilities	61,425	90,109
Net assets	127,633	144,805
	\$ 189,058	\$ 234,914

	2018	2017
Statement of Operations		
Revenues		
Donations and fundraising	\$ 566,697	\$ 703,903
Grants	30,809	21,361
Interest	816	1,192
	598,322	726,456
Expenditures		
Fundraising	79,032	230,676
Wages and benefits	244,476	229,159
Administrative overhead	49,496	71,321
Disbursements to Homes First Society	242,490	343,163
	615,494	874,319
Deficiency of revenues over expenditures	\$ (17,172)	\$ (147,863)

13. INTERFUND TRANSFERS

During the year, \$28,847 from Internally Restricted Operating Capital Reserve Fund and \$150,000 from Scarboro Capital Reserve Fund were transferred to Un-restricted Net Assets to fund the acquisition of 4117 Lawrence Avenue. These transfers were approved by the Board of Directors.

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 government 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.

(i) 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.

(ii) 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.
