

THRESHOLDS HOMES AND SUPPORTS

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
thresholds homes and supports

We have audited the accompanying financial statements of **thresholds homes and supports**, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of the operating agreements with the Government agencies that provide funding.

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 with the Government agencies that provide funding, 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.

Auditors' 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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, the financial statements present fairly, in all material respects, the financial position of **thresholds homes and supports** as at March 31, 2017, 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 with the Government agencies that provide funding.

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 comply with the 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 Board of Directors of **thresholds homes and supports**, and the Government agencies that provide funding and should not be used by any other parties.



Cambridge, Ontario
June 14, 2017

Chartered Professional Accountants, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario

THRESHOLDS HOMES AND SUPPORTS

**STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017**

	Operating Fund \$	Capital Fund \$	Replacement Reserve Fund \$	Subsidy Reserve Fund \$	2017 Total \$	2016 Total \$
Revenue						
MOHLTC funding	1,408,527		33,100		1,441,627	1,321,156
WWLHIN funding	8,638,738				8,638,738	8,430,327
Settlements payable	(194,429)				(194,429)	(134,621)
Rental revenue	1,664,658				1,664,658	1,645,757
Amortization of deferred contributions related to capital assets	42,449	25,082			67,531	120,892
Interest and other income	202,913		5,659		208,572	140,489
Replacement reserve contributions			48,900		48,900	30,310
	11,762,856	25,082	87,659		11,875,597	11,554,310
Expenditure						
Salaries and benefits	6,000,822				6,000,822	5,903,357
Market rent	2,363,602				2,363,602	2,236,197
Office supplies	319,289				319,289	236,187
Program costs	781,596				781,596	764,192
Professional development	154,800				154,800	53,561
Replacement reserve contribution	48,900				48,900	30,310
Condo fees	4,301				4,301	4,112
Office rent	143,902				143,902	153,807
Travel	150,900				150,900	141,397
Insurance	43,226				43,226	45,083
Repairs and maintenance	702,274				702,274	390,791
Telephone and utilities	255,507				255,507	324,793
Property taxes	36,594				36,594	105,528
Mortgage interest	11,637				11,637	17,654
Amortization	120,716	25,082			145,798	120,998
Professional fees	422,526				422,526	575,635
Miscellaneous	155,410				155,410	269,271
Bank and interest	4,060				4,060	4,075
One-time expenses	55,030				55,030	55,944
Capital expenses						31,046
	11,775,092	25,082			11,800,174	11,463,938
Excess (deficiency) of revenue over expenditure for year	(12,236)	NIL	87,659	NIL	75,423	90,372

The explanatory financial notes form an integral part of these financial statements.

THRESHOLDS HOMES AND SUPPORTS**STATEMENT OF FUND BALANCES
YEAR ENDED MARCH 31, 2017**

	Operating Fund \$	Capital Fund \$	Replacement Reserve Fund \$	Subsidy Reserve Fund \$	2017 Total \$	2016 Total \$
Balance, beginning of year	1,235,511	66,774	1,676,950	3,843	2,983,078	2,892,706
Excess (deficiency) of revenue over expenditure for year	(12,236)		87,659		75,423	90,372
Balance, end of year	1,223,275	66,774	1,764,609	3,843	3,058,501	2,983,078

THRESHOLDS HOMES AND SUPPORTS

**FINANCIAL POSITION
AS AT MARCH 31, 2017**

	Operating Fund \$	Capital Fund \$	Replacement Reserve Fund \$	Subsidy Reserve Fund \$	2017 Total \$	2016 Total \$
ASSETS						
Cash	1,683,351		1,764,609	3,843	3,451,803	2,898,366
Accounts receivable	254,332				254,332	504,338
Prepaid expenses	137,891				137,891	169,063
Current assets	2,075,574		1,764,609	3,843	3,844,026	3,571,767
Capital assets (note 3)	1,816,111	569,859			2,385,970	2,345,971
	3,891,685	569,859	1,764,609	3,843	6,229,996	5,917,738
LIABILITIES						
Accounts payable (note 4)	518,194				518,194	486,740
Subsidies repayable	499,144				499,144	444,295
Tenant deposits	92,115				92,115	92,566
Deferred revenue	7,968				7,968	7,968
Long-term debt (note 6)	163,020				163,020	72,401
Current liabilities	1,280,441				1,280,441	1,103,970
Deferred revenue	224,819				224,819	259,715
Long-term debt (note 6)	294,324				294,324	448,047
Deferred contributions related to capital assets (note 5)	868,826	503,085			1,371,911	1,122,928
	2,668,410	503,085			3,171,495	2,934,660
FUND BALANCES						
Externally restricted		66,774	1,764,609	3,843	1,835,226	1,747,567
Unrestricted	1,223,275				1,223,275	1,235,511
	1,223,275	66,774	1,764,609	3,843	3,058,501	2,983,078
	3,891,685	569,859	1,764,609	3,843	6,229,996	5,917,738

APPROVED ON BEHALF OF THE BOARD:

_____ Director
 _____ Director

The explanatory financial notes form an integral part of these financial statements.

THRESHOLDS HOMES AND SUPPORTS

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017**

	2017 \$	2016 \$
Cash flows from operating activities:		
Excess of revenue over expenditure for year	75,423	90,372
Items not involving cash:		
Amortization	145,798	120,998
Amortization of deferred contributions related to capital assets	(67,531)	(120,892)
	153,690	90,478
Net change in non-cash working capital balances related to operations		
Accounts receivable	250,006	(106,389)
Prepaid expenses	31,172	(47,587)
Accounts payable	31,454	(54,998)
Subsidies repayable	54,849	266,713
Deferred revenue	(34,896)	68,733
Tenant deposits	(451)	(4,087)
	485,824	212,863
Cash flows from investment activities:		
Additions to capital assets	(185,797)	(121,382)
Cash flows from financing activities:		
Change in deferred contributions related to capital assets	316,514	(12,000)
Repayment of long-term debt	(63,104)	(63,734)
	253,410	(75,734)
Net increase in cash	553,437	15,747
Cash, beginning of year	2,898,366	2,882,619
Cash, end of year	3,451,803	2,898,366

1. Nature of Operations

thresholds homes and supports is a charitable organization that provides and facilitates access to a wide range of affordable housing and/or individualized, flexible community support services. The agency is committed to improving the quality of life of persons experiencing or recovering from mental health issues while respecting the individual's needs, rights and choices.

The Organization was incorporated as a charitable organization without share capital under the Corporations Act of Ontario by letters patent dated December 9, 1980 and as such is not taxable for income tax purposes.

2. Summary of Significant Accounting Policies

This summary of the major accounting policies of the Organization is presented in order to assist the reader in evaluating the financial statements contained herein. These policies are in accordance with the terms of the operating agreements with the government agencies that provide funding have been followed consistently in all material respects for the periods covered:

(a) Fund accounting

To ensure observation of restrictions placed on the use of resources available to thresholds homes and supports, the accounts are maintained in accordance with the principles of fund accounting. The resources are classified for accounting and reporting purposes into the following funds which have been established according to their nature and purpose:

The **Capital fund**, received capital project funding from the Province of Ontario for the purposes of purchasing and renovating the Garden Street property. The asset and related funds have been recorded under the Capital Asset Fund. Certain additional funds raised by the Organization to bridge the gap between the actual cost of the project and the funding received have also been recorded as part of the Capital fund.

The **Replacement reserve fund**, is maintained in accordance with the project operating agreements, which require the Organization to establish a reserve fund for the replacement of capital equipment for all operating projects.

Maximum annual contributions to this reserve fund are determined under the agreements. As further outlined in the agreements, the Corporation is required to record interest earned on the balance of such contributions as income in the replacement reserve fund.

Contributions required under the various operating agreements are expensed in the financial statements in accordance with those agreements. Voluntary contributions to the reserve fund are recorded as inter-fund transfers.

The **Subsidy reserve fund**, has set aside certain monies to be used to meet future subsidy requirements for income-tested occupants over and above the maximum government assistance provided.

(b) Revenue recognition

Contributions are recorded using the deferral method under which restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental revenue is recognized monthly in accordance with rental agreements.

(c) Capital assets

Capital assets include completed rental housing projects which are recorded at cost and include land, buildings and fixtures and equipment.

2. Summary of Significant Accounting Policies (Continued)

(c) Capital assets (continued)

Costs incurred to modernize or improve existing rental housing projects which have the effect of extending the useful life of the property or increase its value, will be reflected as replacement reserve fund expenses in the year of occurrence.

(d) Amortization of capital assets

The Organization amortizes capital assets using the following annual rates and methods:

Building and equipment - housing projects	as per housing agreements (generally equal to mortgage principal repaid during the year)
Building and equipment - other	40 years straight-line
Leasehold improvements	12 years straight-line
Office furniture and equipment	7 years straight-line

(e) Deferred contributions

In certain instances, the Organization receives funds from the provincial government and other supporters to offset specific expenses. When these funds are received prior to incurring the related expenses, they are shown as deferred contributions.

(f) Financial instruments

All financial assets and liabilities are recorded at amortized cost less any discovered impairment.

(g) Contributed services and materials

Donations of materials and services are not reflected in these financial statements because of the impracticality of the record keeping and valuation of them.

(h) Use of estimates

Certain services provided by the Organization are funded by grants from the Ministry of Health and Long Term Care. This funding is subject to annual government review subsequent to the Organization's year end through a settlement process whereby certain unspent funds may be requested to be repaid. This process is subject to a certain amount of negotiation and budget reallocations thus the amounts recognized in the accounts for such items are based on management's best information and judgement. The preparation of financial statements requires management to make estimates and assumptions that affect reported assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates.

3. Capital Assets

	Operating Fund \$	Capital Fund \$	2017 Total \$	2016 Total \$
Cost				
Land	546,505	170,000	716,505	716,505
Building	2,489,625	774,927	3,264,552	3,264,552
Leasehold improvements	233,717		233,717	259,081
Office furniture and equipment	772,212	58,437	830,649	733,961
	4,042,059	1,003,364	5,045,423	4,974,099
Accumulated amortization				
Building	1,539,399	375,068	1,914,467	1,801,412
Leasehold improvements	8,608		8,608	125,699
Office furniture and equipment	677,941	58,437	736,378	701,017
	2,225,948	433,505	2,659,453	2,628,128
Net Book Value	1,816,111	569,859	2,385,970	2,345,971

4. Accounts Payable and Accrued Liabilities

There were no amounts payable with respect to government remittances as of the year end date.

5. Deferred Contributions Related to Capital Assets

Deferred contributions include the unamortized portions of contributions with which the Organization built or renovated certain properties it operates in Waterloo Region. Externally restricted contributions are included in deferred contributions related to capital assets.

Deferred contributions are being amortized on the same basis as the asset to which they relate.

	2017	2016
	\$	\$
6. Long-Term Debt		
4.963% First mortgage repayable in blended monthly instalments of \$1,967, secured by Cambridge property and maturing in November 1, 2017	116,551	133,964
1.878% First mortgage repayable in blended monthly instalments of \$2,349, secured by Victoria Street property and maturing in April 1, 2021	161,991	186,806
1.04% First mortgage repayable in blended monthly instalments of \$1,904 secured by Madison Avenue property and maturing in October 1, 2020	178,802	199,678
	457,344	520,448
Current portion due within one year	163,020	72,401
	294,324	448,047

Principal repayments for the next five years are approximately as follows:

2018	163,020
2019	47,168
2020	47,878
2021	141,720
2022	57,558
	457,344

7. Lease Commitment

The Organization entered into a lease arrangement for office space located at 618 King Street West, Kitchener, Ontario, which expired on June 30, 2016. Furthermore, the organization entered into a lease arrangement for office space located at 236 Victoria Street North, Kitchener, Ontario in October 2015. The term of the lease is from May 2016 until September 2028.

In addition, in the normal course of business the Organization enters into term leases for residential properties which are subsequently sublet to clients. These leases are normally for three years and expire at various times throughout the year. Total annual cost for these leases is approximately \$1,700,000.

8. Financial Instruments

The entity is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the reporting date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its long-term debt.

Credit risk

The entity is exposed to credit risk with respect to its accounts receivable. The entity regularly assesses the collectibility of its accounts receivable.

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 entity is mainly exposed to interest rate risk.

Interest rate risk

The entity is exposed to interest rate risk on its fixed interest rate financial instruments, which subject the entity to a fair value risk. The entity is exposed to this type of risk as a result of its long-term debt.

9. Comparative Figures

Comparative figures have, in some instances, been restated in order to present them in a form comparable to those for the current year.

THRESHOLDS HOMES AND SUPPORTS

**SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2017**

	Health Care \$	Other Programs \$	Bungalows \$	Margaret, Garden, Joseph, Fergus \$	Victoria, Cambridge, Madison \$	Rent Supplement \$	2017 Total \$	2016 Total \$
Revenue								
MOHLTC funding				9,404	254,045	1,145,078	1,408,527	1,321,156
WWLHIN funding	8,638,738						8,638,738	8,430,327
Settlements payable	(236,677)					42,248	(194,429)	(134,621)
Rental revenue	28,261		56,430	118,855	50,465	1,410,647	1,664,658	1,645,757
Interest and other income	129,926	72,777		140		70	202,913	137,071
Amortization of deferred contributions related to capital assets	40,511			1,938			42,449	29,036
	8,600,759	72,777	56,430	130,337	304,510	2,598,043	11,762,856	11,428,726
Expenditure								
Salaries and benefits	6,000,822						6,000,822	5,903,357
Market rent						2,363,602	2,363,602	2,236,197
Office supplies	318,557			607	125		319,289	236,187
Program costs	781,596						781,596	764,192
Professional development	154,800						154,800	53,561
Replacement reserve contribution			4,800	21,900	22,200		48,900	30,310
Condo fees				4,301			4,301	4,112
Office rent	143,902						143,902	153,807
Travel	150,846				54		150,900	141,397
Insurance	5,624		5,897	18,163	13,542		43,226	45,083
Repairs and maintenance	110,163		48,597	263,712	197,754	82,048	702,274	390,791
Telephone and utilities	60,271		10,802	45,171	39,072	100,191	255,507	324,793
Property taxes			12,345	7,444	16,805		36,594	105,528
Mortgage interest					11,637		11,637	17,654
Amortization	66,055			4,571	50,090		120,716	95,916
Professional fees	413,439				130	8,957	422,526	575,635
Miscellaneous	144,965	3,067		880		6,498	155,410	269,271
Bank and interest	4,060						4,060	4,075
One time expense		55,030					55,030	55,944
	8,355,100	58,097	82,441	366,749	351,409	2,561,296	11,775,092	11,407,810
Excess (deficiency) of revenue over expenditure for year	245,659	14,680	(26,011)	(236,412)	(46,899)	36,747	(12,236)	20,916

THRESHOLDS HOMES AND SUPPORTS

**MARGARET, GARDEN, JOSEPH AND FERGUS
YEAR ENDED MARCH 31, 2017**

	Margaret Condos \$	Garden Street \$	Joseph Street \$	Fergus Avenue \$	2017 Total \$	2016 Total \$
Revenue						
MOHLTC funding		7,712	1,692		9,404	4,580
Rental revenue	18,125	104,820	(45,725)	41,635	118,855	193,410
Interest and other income		140			140	916
Amortization of deferred contributions related to capital assets			960	978	1,938	
	18,125	112,672	(43,073)	42,613	130,337	198,906
Expenditure						
Salaries and benefits						26,966
Office supplies			555	52	607	924
Replacement reserve contribution		7,800	3,600	10,500	21,900	23,170
Condo fees	4,301				4,301	4,112
Insurance		9,926	3,881	4,356	18,163	4,900
Repairs and maintenance	817	194,297	36,553	32,045	263,712	75,501
Telephone and utilities	4,184	23,117	8,349	9,521	45,171	39,350
Property taxes	3,759	3,685			7,444	27,028
Mortgage interest						296
Amortization	2,633		960	978	4,571	16,790
Miscellaneous			473	407	880	(25,627)
	15,694	238,825	54,371	57,859	366,749	193,410
Excess (deficiency) of revenue over expenditure for year	2,431	(126,153)	(97,444)	(15,246)	(236,412)	5,496

THRESHOLDS HOMES AND SUPPORTS

**VICTORIA, CAMBRIDGE, MADISON
YEAR ENDED MARCH 31, 2017**

	Victoria Street \$	Cambridge Colborne \$	Madison Avenue \$	2017 Total \$	2016 Total \$
Revenue					
MOHLTC funding	110,462	63,780	79,803	254,045	233,191
Rental revenue	16,379	15,642	18,444	50,465	53,853
Interest and other income					203
	126,841	79,422	98,247	304,510	287,247
Expenditure					
Salaries and benefits					94,393
Office supplies		125		125	709
Replacement reserve contribution	7,200	4,800	10,200	22,200	7,140
Travel			54	54	
Insurance	5,067	4,356	4,119	13,542	3,800
Repairs and maintenance	88,011	58,945	50,798	197,754	58,292
Telephone and utilities	16,504	11,914	10,654	39,072	39,516
Property taxes	13,069	3,736		16,805	15,950
Mortgage interest	3,476	6,192	1,969	11,637	17,358
Amortization	18,926	13,628	17,536	50,090	50,090
Professional fees		130		130	
	152,253	103,826	95,330	351,409	287,248
Excess (deficiency) of revenue over expenditure for year	(25,412)	(24,404)	2,917	(46,899)	(1)

THRESHOLDS HOMES AND SUPPORTS

**RENT SUPPLEMENT
YEAR ENDED MARCH 31, 2017**

	Homelessness Phase 2 \$	Service Enhancement \$	Additions \$	2017 Total \$	2016 Total \$
Revenue					
MOHLTC funding	917,337	124,500	103,241	1,145,078	1,083,385
MOHLTC settlements payable	42,248			42,248	
Rental revenue	1,144,277	162,223	104,147	1,410,647	1,323,615
Interest and other income	70			70	154
	2,103,932	286,723	207,388	2,598,043	2,407,154
Expenditure					
Market rent	1,896,384	261,048	206,170	2,363,602	2,236,197
Repairs and maintenance	65,908	6,574	9,566	82,048	74,264
Telephone and utilities	64,816	19,043	16,332	100,191	87,449
Professional fees	8,957			8,957	8,905
Miscellaneous	6,498			6,498	340
	2,042,563	286,665	232,068	2,561,296	2,407,155
Excess (deficiency) of revenue over expenditure for year	61,369	58	(24,680)	36,747	(1)

THRESHOLDS HOMES AND SUPPORTS

**SCHEDULE OF REPLACEMENT RESERVE BALANCES
YEAR ENDED MARCH 31, 2017**

	Joseph	Fergus	Colborne	Victoria	Madison	Bungalows	Garden	Sheldon	2017 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Beginning balance	158,246	90,945	156,068	252,288	170,958	287,861	523,679	36,905	1,676,950
Revenue									
Interest/rebates earned	541	359	520	840	570	987	1,717	125	5,659
Government subsidy	3,972		3,048	12,491	2,997		10,592		33,100
Eligible surplus (deficit)		5,700			5,400				11,100
Contribution from operations	3,600	4,800	4,800	7,200	4,800	4,800	7,800		37,800
Excess of revenue over expenditure	8,113	10,859	8,368	20,531	13,767	5,787	20,109	125	87,659
Ending balance	166,359	101,804	164,436	272,819	184,725	293,648	543,788	37,030	1,764,609