

THRESHOLDS HOMES AND SUPPORTS

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

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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, 2018, 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, 2018, 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 26, 2018

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

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018

	Operating Fund \$	Capital Fund \$	Replacement Reserve Fund \$	Subsidy Reserve Fund \$	2018 Total \$	2017 Total \$
Revenue						
MOHLTC funding	1,377,724		40,800		1,418,524	1,441,627
WWLHIN funding	8,615,017				8,615,017	8,638,738
Settlements payable	(151,972)				(151,972)	(194,429)
Rental revenue	1,812,611				1,812,611	1,664,658
Amortization of deferred contributions related to capital assets (note 5)	36,362	29,916			66,278	67,531
Interest and other income	57,535		13,496		71,031	208,572
Replacement reserve contributions			180,665		180,665	48,900
	11,747,277	29,916	234,961		12,012,154	11,875,597
Expenditure						
Salaries and benefits	5,981,812				5,981,812	6,000,822
Market rent (note 7)	2,464,721				2,464,721	2,363,602
Office supplies	241,390				241,390	319,289
Program costs	842,222				842,222	781,596
Professional development	47,228				47,228	154,800
Replacement reserve contribution	180,665				180,665	48,900
Condo fees	4,544				4,544	4,301
Office rent (note 7)	272,209				272,209	143,902
Travel	127,525				127,525	150,900
Insurance	53,677				53,677	43,226
Repairs and maintenance	681,727				681,727	702,274
Telephone and utilities	257,068				257,068	255,507
Property taxes	25,601				25,601	36,594
Mortgage interest	7,307				7,307	11,637
Amortization	84,657	29,916			114,573	145,798
Professional fees	351,376				351,376	422,526
Miscellaneous	336,877				336,877	155,410
Bank and interest	4,898				4,898	4,060
One-time expenses	19,406				19,406	55,030
	11,984,910	29,916			12,014,826	11,800,174
Excess (deficiency) of revenue over expenditure for year	(237,633)	NIL	234,961	NIL	(2,672)	75,423

THRESHOLDS HOMES AND SUPPORTS**STATEMENT OF FUND BALANCES
YEAR ENDED MARCH 31, 2018**

	Operating Fund \$	Capital Fund \$	Replacement Reserve Fund \$	Subsidy Reserve Fund \$	2018 Total \$	2017 Total \$
Balance, beginning of year	1,223,275	66,774	1,764,609	3,843	3,058,501	2,983,078
Excess (deficiency) of revenue over expenditure for year	(237,633)		234,961		(2,672)	75,423
Balance, end of year	985,642	66,774	1,999,570	3,843	3,055,829	3,058,501

THRESHOLDS HOMES AND SUPPORTS

**FINANCIAL POSITION
AS AT MARCH 31, 2018**

	Operating Fund \$	Capital Fund \$	Replacement Reserve Fund \$	Subsidy Reserve Fund \$	2018 Total \$	2017 Total \$
ASSETS						
Cash	1,337,679		1,999,570	3,843	3,341,092	3,451,803
Accounts receivable	109,667				109,667	254,332
Prepaid expenses	141,493				141,493	137,891
Current assets	1,588,839		1,999,570	3,843	3,592,252	3,844,026
Capital assets (note 3)	1,780,814	544,777			2,325,591	2,385,970
	3,369,653	544,777	1,999,570	3,843	5,917,843	6,229,996
LIABILITIES						
Accounts payable (note 4)	662,600				662,600	518,194
Subsidies repayable	242,231				242,231	499,144
Tenant deposits	86,695				86,695	92,115
Deferred revenue	7,968				7,968	7,968
Long-term debt (note 6)	67,207				67,207	163,020
Current liabilities	1,066,701				1,066,701	1,280,441
Deferred revenue	138,681				138,681	224,819
Long-term debt (note 6)	325,005				325,005	294,324
Deferred contributions related to capital assets (note 5)	853,624	478,003			1,331,627	1,371,911
	2,384,011	478,003			2,862,014	3,171,495
FUND BALANCES						
Externally restricted		66,774	1,999,570	3,843	2,070,187	1,835,226
Unrestricted	985,642				985,642	1,223,275
	985,642	66,774	1,999,570	3,843	3,055,829	3,058,501
	3,369,653	544,777	1,999,570	3,843	5,917,843	6,229,996

APPROVED ON BEHALF OF THE BOARD:

_____ Director
 _____ Director

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

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018**

	2018 \$	2017 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditure for year	(2,672)	75,423
Items not involving cash:		
Amortization	114,573	145,798
Amortization of deferred contributions related to capital assets	(66,278)	(67,531)
	45,623	153,690
Net change in non-cash working capital balances related to operations		
Accounts receivable	144,665	250,006
Prepaid expenses	(3,602)	31,172
Accounts payable	144,406	31,454
Subsidies repayable	(256,913)	54,849
Deferred revenue	(86,138)	(34,896)
Tenant deposits	(5,420)	(451)
	(17,379)	485,824
Cash flows from investment activities:		
Additions to capital assets	(54,194)	(185,797)
Cash flows from financing activities:		
Change in deferred contributions related to capital assets	25,994	316,514
Repayment of long-term debt	(65,132)	(63,104)
	(39,138)	253,410
Net increase (decrease) in cash	(110,711)	553,437
Cash, beginning of year	3,451,803	2,898,366
Cash, end of year	3,341,092	3,451,803

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 \$	2018 Total \$	2017 Total \$
Cost				
Land	546,505	170,000	716,505	716,505
Building	2,562,984	774,927	3,337,911	3,264,552
Leasehold improvements	233,717		233,717	233,717
Office furniture and equipment	772,212	58,437	830,649	830,649
	4,115,418	1,003,364	5,118,782	5,045,423
Accumulated amortization				
Building	1,623,004	400,150	2,023,154	1,914,467
Leasehold improvements	28,825		28,825	8,608
Office furniture and equipment	682,775	58,437	741,212	736,378
	2,334,604	458,587	2,793,191	2,659,453
Net Book Value	1,780,814	544,777	2,325,591	2,385,970

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.

	2018	2017
	\$	\$
6. Long-Term Debt		
2.48% First mortgage repayable in blended monthly instalments of \$1,852, secured by Cambridge property and maturing in November 1, 2022	97,888	116,551
1.878% First mortgage repayable in blended monthly instalments of \$2,349, secured by Victoria Street property and maturing in April 1, 2021	136,611	161,991
1.04% First mortgage repayable in blended monthly instalments of \$1,904 secured by Madison Avenue property and maturing in October 1, 2020	157,713	178,802
	392,212	457,344
Current portion due within one year	67,207	163,020
	325,005	294,324

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

2019	67,207
2020	68,417
2021	162,772
2022	79,139
2023	14,677
	392,212

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 year end 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, 2018**

	Health Care \$	Other Programs \$	Bungalows \$	Margaret, Garden, Joseph, Fergus \$	Victoria, Cambridge, Madison \$	Rent Supplement \$	2018 Total \$	2017 Total \$
Revenue								
MOHLTC funding				3,640	294,193	1,079,891	1,377,724	1,408,527
WWLHIN funding	8,615,017						8,615,017	8,638,738
Settlements payable	(151,972)						(151,972)	(194,429)
Rental revenue	23,561		54,875	201,170	60,332	1,472,673	1,812,611	1,664,658
Interest and other income	23,307	33,746				482	57,535	202,913
Amortization of deferred contributions related to capital assets (note 5)	35,777			585			36,362	42,449
	8,545,690	33,746	54,875	205,395	354,525	2,553,046	11,747,277	11,762,856
Expenditure								
Salaries and benefits	5,981,812						5,981,812	6,000,822
Market rent (note 7)						2,464,721	2,464,721	2,363,602
Office supplies	238,418			1,695	1,277		241,390	319,289
Program costs	842,222						842,222	781,596
Professional development	47,228						47,228	154,800
Replacement reserve contribution			9,600	62,903	108,162		180,665	48,900
Condo fees				4,544			4,544	4,301
Office rent (note 7)	272,209						272,209	143,902
Travel	127,525						127,525	150,900
Insurance	53,677						53,677	43,226
Repairs and maintenance	102,214		35,225	185,383	224,353	134,552	681,727	702,274
Telephone and utilities	93,942		11,657	39,526	33,546	78,397	257,068	255,507
Property taxes			15,708	1,102	8,791		25,601	36,594
Mortgage interest					7,307		7,307	11,637
Amortization	33,553			1,014	50,090		84,657	120,716
Professional fees	333,401					17,975	351,376	422,526
Miscellaneous	295,525	17,946		625		22,781	336,877	155,410
Bank and interest	4,850					48	4,898	4,060
One time expense		19,406					19,406	55,030
	8,426,576	37,352	72,190	296,792	433,526	2,718,474	11,984,910	11,775,092
Excess (deficiency) of revenue over expenditure for year	119,114	(3,606)	(17,315)	(91,397)	(79,001)	(165,428)	(237,633)	(12,236)

THRESHOLDS HOMES AND SUPPORTS

**MARGARET, GARDEN, JOSEPH AND FERGUS
YEAR ENDED MARCH 31, 2018**

	Margaret Condos \$	Garden Street \$	Joseph Street \$	Fergus Avenue \$	2018 Total \$	2017 Total \$
Revenue						
MOHLTC funding		3,640			3,640	9,404
Rental revenue	18,108	107,728	32,366	42,968	201,170	118,855
Interest and other income						140
Amortization of deferred contributions related to capital assets (note 5)			585		585	1,938
	18,108	111,368	32,951	42,968	205,395	130,337
Expenditure						
Office supplies		537	817	341	1,695	607
Replacement reserve contribution		36,431	11,172	15,300	62,903	21,900
Condo fees	4,544				4,544	4,301
Insurance						18,163
Repairs and maintenance	1,076	98,170	47,487	38,650	185,383	263,712
Telephone and utilities	4,044	20,422	6,353	8,707	39,526	45,171
Property taxes	1,102				1,102	7,444
Amortization	(4,630)		3,688	1,956	1,014	4,571
Miscellaneous			625		625	880
	6,136	155,560	70,142	64,954	296,792	366,749
Excess (deficiency) of revenue over expenditure for year	11,972	(44,192)	(37,191)	(21,986)	(91,397)	(236,412)

THRESHOLDS HOMES AND SUPPORTS

**VICTORIA, CAMBRIDGE, MADISON
YEAR ENDED MARCH 31, 2018**

	Victoria Street \$	Cambridge Colborne \$	Madison Avenue \$	2018 Total \$	2017 Total \$
Revenue					
MOHLTC funding	131,031	72,473	90,689	294,193	254,045
Rental revenue	21,031	18,931	20,370	60,332	50,465
	152,062	91,404	111,059	354,525	304,510
Expenditure					
Office supplies		759	518	1,277	125
Replacement reserve contribution	43,963	4,800	59,399	108,162	22,200
Travel					54
Insurance					13,542
Repairs and maintenance	65,283	70,190	88,880	224,353	197,754
Telephone and utilities	14,577	11,441	7,528	33,546	39,072
Property taxes	9,703	(912)		8,791	16,805
Mortgage interest	2,813	4,484	10	7,307	11,637
Amortization	18,927	13,628	17,535	50,090	50,090
Professional fees					130
	155,266	104,390	173,870	433,526	351,409
Deficiency of revenue over expenditure for year	(3,204)	(12,986)	(62,811)	(79,001)	(46,899)

THRESHOLDS HOMES AND SUPPORTS

**RENT SUPPLEMENT
YEAR ENDED MARCH 31, 2018**

	Homelessness Phase 2 \$	Service Enhancement \$	Additions \$	2018 Total \$	2017 Total \$
Revenue					
MOHLTC funding	819,582	141,507	118,802	1,079,891	1,145,078
MOHLTC settlements payable					42,248
Rental revenue	1,211,708	156,025	104,940	1,472,673	1,410,647
Interest and other income	482			482	70
	2,031,772	297,532	223,742	2,553,046	2,598,043
Expenditure					
Market rent (note 7)	1,996,854	257,684	210,183	2,464,721	2,363,602
Repairs and maintenance	102,686	5,284	26,582	134,552	82,048
Telephone and utilities	53,901	13,855	10,641	78,397	100,191
Professional fees	17,785		190	17,975	8,957
Miscellaneous	22,781			22,781	6,498
Bank and interest	48			48	
	2,194,055	276,823	247,596	2,718,474	2,561,296
Excess (deficiency) of revenue over expenditure for year	(162,283)	20,709	(23,854)	(165,428)	36,747

THRESHOLDS HOMES AND SUPPORTS

**SCHEDULE OF REPLACEMENT RESERVE BALANCES
YEAR ENDED MARCH 31, 2018**

	Joseph	Fergus	Colborne	Victoria	Madison	Bungalows	Garden	Sheldon	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Beginning balance	166,359	101,804	164,436	272,819	184,725	293,648	543,788	37,030	1,764,609
Revenue									
Interest/rebates earned	1,272	779	1,258	2,086	1,413	2,246	4,159	283	13,496
Government subsidy	7,822	3,850	3,048	12,491	2,997		10,592		40,800
Eligible surplus				28,915	21,680		10,239		60,834
Contribution from operations	11,172	15,300	4,800	15,048	37,719	9,600	26,192		119,831
Excess of revenue over expenditure	20,266	19,929	9,106	58,540	63,809	11,846	51,182	283	234,961
Ending balance	186,625	121,733	173,542	331,359	248,534	305,494	594,970	37,313	1,999,570