

**SUPPORTIVE HOUSING OF WATERLOO
NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

SUPPORTIVE HOUSING OF WATERLOO
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YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of: Supportive Housing of Waterloo

Opinion

We have audited the accompanying financial statements of Supportive Housing of Waterloo, which comprise the non-consolidated statement of financial position as at December 31, 2019 and the non-consolidated statements of changes in net assets, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of Supportive Housing of Waterloo as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

Basis of 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 Supportive Housing of Waterloo 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.

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

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with Canadian accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the non-consolidated financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities-non-consolidated. This description forms part of our auditor's report.



Kitchener, Ontario
May 13, 2020

Chartered Professional Accountants
Licensed Public Accountants

SUPPORTIVE HOUSING OF WATERLOO
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 170,268	\$ 449,732
Accounts receivable	1,402	1,029
Prepaid expenses	2,658	3,956
HST receivable	<u>40,780</u>	<u>4,589</u>
	215,108	459,306
PROPERTY, PLANT AND EQUIPMENT (note 4)	3,091,697	3,054,455
CAPITAL RESERVE HELD BY INFRASTRUCTURE ONTARIO	77,143	64,999
INVESTMENT IN EMPOWER CLEANING INC. (note 8)	<u>3,185</u>	<u>7,412</u>
	<u>\$ 3,387,133</u>	<u>\$ 3,586,172</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 55,411	\$ 464,101
Government remittances payable	1,749	572
Unearned revenue (note 5)	112,294	58,635
Current portion of mortgage payable (note 7)	14,135	0
Current portion of loan - Infrastructure Ontario (note 6)	<u>11,824</u>	<u>11,255</u>
Current liabilities before callable debt	195,413	534,563
Callable debt (note 6)	<u>0</u>	<u>729,000</u>
	195,413	1,263,563
LOAN - INFRASTRUCTURE ONTARIO (note 6)	816,613	828,436
DEFERRED CAPITAL CONTRIBUTIONS (note 9)	1,810,539	1,456,280
MORTGAGE PAYABLE (note 7)	<u>435,865</u>	<u>0</u>
	<u>3,258,430</u>	<u>3,548,279</u>
NET ASSETS		
NET ASSETS	<u>128,703</u>	<u>37,893</u>
	<u>\$ 3,387,133</u>	<u>\$ 3,586,172</u>

SUPPORTIVE HOUSING OF WATERLOO
NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
NET ASSETS, beginning of year	\$ 37,893	\$ 20,534
Net revenues over expenditures for the year	<u>90,810</u>	<u>17,359</u>
NET ASSETS, end of year	<u>\$ 128,703</u>	<u>\$ 37,893</u>

SUPPORTIVE HOUSING OF WATERLOO
NON-CONSOLIDATED STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
REVENUES		
Region of Waterloo funding	\$ 414,755	\$ 415,794
Rental	253,250	212,717
Fundraising	156,282	94,304
Other income (note 8)	57,017	0
Amortization of deferred capital contributions (note 9)	52,663	33,245
Other grants	31,868	18,369
Interest income	251	139
Government of Canada grants	<u>0</u>	<u>11,274</u>
	<u>966,086</u>	<u>785,842</u>
EXPENDITURES		
Salaries	441,672	451,298
Amortization	77,834	47,034
Interest on long term debt	75,710	40,290
Utilities	55,754	43,476
Repairs and maintenance	51,799	40,869
Professional fees	45,459	40,575
Tenant support	42,014	42,159
Office	28,935	15,736
Advertising	21,974	14,086
Insurance	16,663	15,520
Program	8,869	12,110
Telephone	6,258	5,490
Postage and courier	1,373	948
Interest and bank charges	<u>1,007</u>	<u>835</u>
	<u>875,321</u>	<u>770,426</u>
SURPLUS OF REVENUES OVER EXPENDITURES	<u>90,765</u>	<u>15,416</u>
OTHER		
(Loss) gain on Investment in Empower Cleaning Inc. (note 8)	(4,362)	1,487
Unrealized gain on Capital Reserve held by Infrastructure Ontario	<u>4,407</u>	<u>456</u>
	<u>45</u>	<u>1,943</u>
NET REVENUES OVER EXPENDITURES for the year	<u><u>\$ 90,810</u></u>	<u><u>\$ 17,359</u></u>

SUPPORTIVE HOUSING OF WATERLOO
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Net revenues over expenditures for the year	\$ 90,810	\$ 17,359
Items not requiring an outlay of cash		
Amortization	77,834	47,034
Amortization of deferred capital contributions	(52,663)	(33,245)
Loss (gain) on investment in Empower Cleaning Inc.	4,362	(1,487)
Unrealized gain on Infrastructure Ontario investments	<u>(4,407)</u>	<u>(456)</u>
	115,936	29,205
Changes in non-cash working capital		
Accounts receivable	(373)	14,834
Prepaid expenses	1,298	(1,166)
HST receivable	(36,191)	31,288
Accounts payable and accrued liabilities	(408,690)	415,977
Government remittances payable	1,177	311
Unearned revenue	<u>53,659</u>	<u>22,390</u>
	<u>(273,184)</u>	<u>512,839</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Loan - Infrastructure Ontario	(11,254)	(10,733)
Mortgage payable	450,000	0
Additions to deferred capital contributions	406,922	307,688
Callable debt	<u>(729,000)</u>	<u>399,000</u>
	<u>116,668</u>	<u>695,955</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to capital assets	(115,076)	(1,544,029)
Investment in Empower Cleaning Inc.	(135)	6,791
Capital reserve held by Infrastructure Ontario	<u>(7,737)</u>	<u>(7,736)</u>
	<u>(122,948)</u>	<u>(1,544,974)</u>
NET DECREASE IN CASH	(279,464)	(336,180)
NET CASH, beginning of year	<u>449,732</u>	<u>785,912</u>
NET CASH, end of year	<u>\$ 170,268</u>	<u>\$ 449,732</u>

SUPPORTIVE HOUSING OF WATERLOO
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. NATURE OF ORGANIZATION

Supportive Housing of Waterloo is a not for profit organization incorporated under the laws of Ontario without share capital on June 1, 2007. It is a registered charity under the Income Tax Act and is exempt from income tax. Its mission is to develop decent, affordable housing complete with a mix of support services in the city of Waterloo for people who are homeless or hard to house.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and include the following significant accounting policies:

(a) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions. Externally restricted contributions, including funding from the Region of Waterloo and grants from the Government of Canada 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.

Investment income, which includes interest income, is recognized as revenue over the period earned.

Rental revenue is recognized over the term of the rental agreement as the housing is provided and collection is reasonably assured. Other income is recognized when earned and collection is reasonably assured.

(b) DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent donations for capital costs of construction. They are recognized as revenue on the same basis as capital assets are amortized.

(c) INVESTMENT IN EMPOWER CLEANING INC.

The organization issues only non-consolidated financial statements and accounts for its investment in the 100% owned for profit subsidiary using the equity method.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management's estimates include HST receivable, the useful lives of property, plant and equipment and amortization of deferred capital contributions. Actual results could differ from those estimates.

(e) CONTRIBUTED MATERIALS AND SERVICES

During the year, a number of organizations and individuals donate materials to the organization and a number of volunteers contribute a significant amount of their time. Because of the difficulty in determining the fair value, contributed materials and services are not recorded in the financial statements.

SUPPORTIVE HOUSING OF WATERLOO
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost and amortized on the basis of their estimated useful life using the following methods and rates:

Buildings	- 40	years straight line basis
Vehicles	- 5	years straight line basis
Furniture and fixtures	- 5	years straight line basis
Accessibility renovations	- 5	years straight line basis

(g) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets 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 value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(h) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for short term investments and capital reserve held by Infrastructure Ontario, which are measured at fair value. Changes in fair value are recognized in net surplus.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If an impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in net surplus. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 net surplus.

Transaction costs

The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

SUPPORTIVE HOUSING OF WATERLOO
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

3. FINANCIAL INSTRUMENTS

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from the financial instruments.

The extent of the organization's exposure to these risks did not change in 2019 compared to the previous period.

The organization does not have a significant exposure to any individual customer or counterpart.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2019	Net 2018
362 Erb Street West				
Land	\$ 896,088	\$ 0	\$ 896,088	\$ 896,088
Building	3,755,649	196,037	3,559,612	3,577,962
Furniture and fixtures	82,891	79,624	3,267	4,040
Accessibility renovations	31,467	31,467	0	0
Less: Forgivable loan (note 9)	<u>(3,600,000)</u>	<u>0</u>	<u>(3,600,000)</u>	<u>(3,600,000)</u>
Total 362 Erb Street West	<u>1,166,095</u>	<u>307,128</u>	<u>858,967</u>	<u>878,090</u>
402 Erb Street West				
Land	358,770	0	358,770	358,770
Building	1,906,368	50,944	1,855,424	1,790,893
Furniture and fixtures	<u>22,739</u>	<u>4,927</u>	<u>17,812</u>	<u>22,360</u>
Total 402 Erb Street West	<u>2,287,877</u>	<u>55,871</u>	<u>2,232,006</u>	<u>2,172,023</u>
Vehicles	<u>18,094</u>	<u>17,370</u>	<u>724</u>	<u>4,342</u>
	<u>\$ 3,472,066</u>	<u>\$ 380,369</u>	<u>\$ 3,091,697</u>	<u>\$ 3,054,455</u>

During the year, the organization capitalized interest of \$0 (2018 - \$16,089) on the property under development at 402 Erb St. W.

5. UNEARNED REVENUE

Unearned revenue, which consists of the unexpended portion of government funding and donations received that relate to future periods less related expenditures, is as follows:

	2019	2018
Balance, beginning of the year	\$ 58,635	\$ 36,245
Plus amount received during the year	120,625	68,216
Less amount recognized as revenue in the year	<u>(66,966)</u>	<u>(45,826)</u>
Balance, end of year	<u>\$ 112,294</u>	<u>\$ 58,635</u>

SUPPORTIVE HOUSING OF WATERLOO
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

6. LONG TERM DEBT

	2019	2018
Infrastructure Ontario mortgage payable, due March 15, 2051, repayable in blended monthly instalments of \$1,505 including interest charged at 4.624%, secured by land and building, with a carrying value of \$4,455,700	\$ 299,787	\$ 304,009
Infrastructure Ontario mortgage payable, due March 15, 2051, repayable in blended monthly instalments of \$2,747 including interest charged at 4.919%, secured by land and building, with a carrying value of \$4,455,700	528,650	535,682
Term facility, due on demand, interest at prime+0.5% per annum, paid during the year	<u>0</u>	<u>729,000</u>
	<u>828,437</u>	<u>1,568,691</u>
Less current portion:		
Cash repayments required within 12 months	11,824	11,255
Callable debt	<u>0</u>	<u>729,000</u>
	<u>11,824</u>	<u>740,255</u>
	<u>\$ 816,613</u>	<u>\$ 828,436</u>

Regular principal payments required on all long term debt for the next five years are due as follows:

2020	\$ 11,824
2021	12,377
2022	12,979
2023	13,611
2024	21,718
Thereafter	<u>755,928</u>
	<u>\$ 828,437</u>

7. MORTGAGE PAYABLE

	2019	2018
TD mortgage payable, repayable in blended monthly instalments of \$2,859 including interest at 4.590%, due on December 16, 2024, secured by land and building, with a carrying value of \$2,214,194	\$ 450,000	\$ 0
Less cash repayments required within 12 months	<u>14,135</u>	<u>0</u>
	<u>\$ 435,865</u>	<u>\$ 0</u>

Future minimum payments on this mortgage are as follows:

2020	\$ 14,135
2021	14,791
2022	15,478
2023	16,196
2024	<u>389,400</u>
	<u>\$ 450,000</u>

SUPPORTIVE HOUSING OF WATERLOO
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

8. INVESTMENT IN EMPOWER CLEANING INC.

Supportive Housing of Waterloo is the sole shareholder of Empower Cleaning Inc., a for profit, social enterprise that seeks to enhance the well-being of people in Southwestern Ontario by providing quality cleaning and support services. Empower Cleaning Inc. was incorporated under the Ontario Business Corporations Act on August 28, 2015.

Empower Cleaning Inc. has not been consolidated in the organization's financial statements. The organization uses the equity method to account for this investment.

Included in other income is a recovery of management administration expenses for \$7,665 (2018 - \$0). This transaction is recorded at exchange value of the management services provided.

The investment in Empower Cleaning Inc. is as follows:

	2019	2018
Share capital	\$ 1	\$ 1
Funds advanced	17,885	17,750
Loss on equity	<u>(14,701)</u>	<u>(10,339)</u>
	<u>\$ 3,185</u>	<u>\$ 7,412</u>

The financial statement summary of Empower Cleaning Inc. as at December 31, 2019 is as follows:

Balance Sheet

	2019	2018
Assets	<u>\$ 4,487</u>	<u>\$ 7,641</u>
Liabilities	\$ 19,187	\$ 17,979
Shareholder's deficit	<u>(14,700)</u>	<u>(10,338)</u>
	<u>\$ 4,487</u>	<u>\$ 7,641</u>

Results of Operations

	2019	2018
Revenues	\$ 2,303	\$ 27,256
Operating expenses	<u>6,665</u>	<u>25,769</u>
Net (loss) gain	<u>\$ (4,362)</u>	<u>\$ 1,487</u>

Cash Flows

	2019	2018
Cash used in operations	<u>\$ (1,799)</u>	<u>\$ (7,676)</u>
Decrease in cash	<u>\$ (1,799)</u>	<u>\$ (7,676)</u>

SUPPORTIVE HOUSING OF WATERLOO
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

9. DEFERRED CAPITAL CONTRIBUTIONS

	2019	2018
Balance, beginning of year	\$ 1,456,280	\$ 1,181,837
Plus additions during the year	406,922	307,688
Less amount amortized in the year	<u>(52,663)</u>	<u>(33,245)</u>
Balance, end of year	<u>\$ 1,810,539</u>	<u>\$ 1,456,280</u>

In 2009, the organization was approved to receive funding in the amount of \$3,600,000 by Her Majesty the Queen in Right of Ontario as represented by the Minister of Municipal Affairs and Housing for the purchase of capital assets. The full amount of funding was received by July 23, 2010. These funds are subject to terms and conditions stipulated by related agreement. As long as the organization is in compliance with these terms and conditions, the amount of interest on the loan is forgiven. If the organization continues to be in compliance until June 30, 2030, the principal amounts shall be forgiven at that time. As at the current year end, interest in the amount of \$284,040 (2018 - \$284,040) has been forgiven for total cumulative interest forgiven of \$2,556,360 (2018 - \$2,272,320).

The principal amounts referred to above have been included as an offset to property, plant and equipment (note 4). Each year, the interest expense is reflected in these statements and the forgiveness of interest is recognized as an offsetting amount.

During 2016, the organization was approved to receive funding in the amount of up to \$1,130,000 by the Regional Municipality of Waterloo - Affordable Housing Strategy Investment in Affordable Housing for Ontario Program for the construction of nine new affordable rental units at 402 Erb St. West, Waterloo. As at year end, \$1,130,000 (2018 - \$762,750) of these funds have been received. These funds are subject to terms and conditions stipulated by the related agreement. As long as the organization is in compliance with these terms and conditions, the principal and interest amounts shall be forgiven.

SUPPORTIVE HOUSING OF WATERLOO

Schedule 1

NON-CONSOLIDATED SCHEDULE OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2019

	362 Erb St Property	402 Erb St Property	Tenant Supports & Administrative	Total
REVENUES				
Region of Waterloo funding	\$ 1,080	\$ 0	\$ 413,675	\$ 414,755
Rental	195,330	50,771	7,149	253,250
Fundraising	0	0	156,282	156,282
Other income	0	0	57,017	57,017
Amortization of deferred capital contributions	20,567	32,096	0	52,663
Other grants	0	0	31,868	31,868
Interest income	0	0	251	251
	<u>216,977</u>	<u>82,867</u>	<u>666,242</u>	<u>966,086</u>
EXPENDITURES				
Salaries	0	0	441,672	441,672
Amortization	22,012	52,202	3,620	77,834
Interest on long term debt	39,767	35,943	0	75,710
Utilities	39,983	15,771	0	55,754
Repairs and maintenance	43,580	2,800	5,419	51,799
Professional fees	0	0	45,459	45,459
Tenant support	0	0	42,014	42,014
Office	0	0	28,935	28,935
Advertising	0	0	21,974	21,974
Insurance	5,228	1,456	9,979	16,663
Program	0	0	8,869	8,869
Telephone	1,762	677	3,819	6,258
Postage and courier	0	0	1,373	1,373
Interest and bank charges	0	0	1,007	1,007
	<u>152,332</u>	<u>108,849</u>	<u>614,140</u>	<u>875,321</u>
SURPLUS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>64,645</u>	<u>(25,982)</u>	<u>52,102</u>	<u>90,765</u>
OTHER				
Loss on Investment in Empower Cleaning Inc. (note 8)	0	0	(4,362)	(4,362)
Unrealized gain on Capital Reserve held by Infrastructure Ontario	4,407	0	0	4,407
	<u>4,407</u>	<u>0</u>	<u>(4,362)</u>	<u>45</u>
NET REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES) for the year				
	<u>\$ 69,052</u>	<u>\$ (25,982)</u>	<u>\$ 47,740</u>	<u>\$ 90,810</u>