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**THE TORONTO CITY MISSION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Corporation  
The Toronto City Mission  
SCARBOROUGH  
Ontario

### *Report on the Financial Statements*

We have audited the accompanying financial statements of The Toronto City Mission which comprise the statement of financial position as at June 30, 2016 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Qualified Opinion*

As is common with many charitable organizations, The Toronto City Mission derives part of its revenue from the general public in the form of contributions, which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to the amounts recorded in the records of The Toronto City Mission and we were not able to determine whether any adjustments might be necessary to contribution revenues, excess of revenues over expenses, assets and net assets.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of The Toronto City Mission as at June 30, 2016 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.



NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

September 13, 2016

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**THE TORONTO CITY MISSION**  
**STATEMENT OF FINANCIAL POSITION**

As at June 30,

2016

2015

**ASSETS**

**Current**

Cash	\$ 91,747	\$ 21,368
Marketable securities (Note 2)	1,337,101	1,501,934
Accounts receivable (Note 3)	49,505	59,067
Prepaid expenses	14,975	10,073
	<u>\$ 1,493,328</u>	<u>\$ 1,592,442</u>

**Restricted Cash**

25,000 25,000

**Capital Assets (Note 4)**

2,821 9,323

\$ 1,521,149 \$ 1,626,765

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**LIABILITIES**

**Current**

Accounts payable and accrued liabilities	\$ 14,238	\$ 12,633
Deferred revenue (Note 5)	101,326	4,433
	<u>\$ 115,564</u>	<u>\$ 17,066</u>

**NET ASSETS**

General Fund	\$ 1,380,585	\$ 1,584,699
Endowment Fund	25,000	25,000
	<u>\$ 1,405,585</u>	<u>\$ 1,609,699</u>
	<u>\$ 1,521,149</u>	<u>\$ 1,626,765</u>

**Commitments (Note 7)**

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Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes

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**THE TORONTO CITY MISSION**  
**STATEMENT OF CHANGES IN FUND BALANCES**

For the year ended June 30, 2016

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	Balance - Beginning	Revenues	Expenses	Transfer Between Funds (Note 6)	Investment Income (Loss)	Balance - Ending
<b>Unrestricted Funds</b>						
General	\$ 1,584,699	\$ 890,971	\$ 1,067,989	\$ -	\$ (27,096)	\$ 1,380,585
<b>Externally Restricted Funds</b>						
Endowment	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<b>TOTAL FUNDS</b>	<u>\$ 1,609,699</u>	<u>\$ 890,971</u>	<u>\$ 1,067,989</u>	<u>\$ -</u>	<u>\$ (27,096)</u>	<u>\$ 1,405,585</u>
TOTAL FUNDS – PRIOR YEAR	<u>\$ 1,737,706</u>	<u>\$ 859,169</u>	<u>\$ 1,107,442</u>	<u>\$ -</u>	<u>\$ 120,266</u>	<u>\$ 1,609,699</u>

See accompanying notes

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# THE TORONTO CITY MISSION

## STATEMENT OF OPERATIONS – GENERAL FUND

For the year ended June 30,

2016

2015

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### REVENUES

Contributions	\$ 650,869	\$ 562,631
Government grants	131,293	145,554
Special events	66,243	95,867
Bequests	16,735	22,433
Gain on sale of capital assets	9,021	-
Camp fees	8,532	23,394
Gifts in kind	8,278	9,290
	<u>\$ 890,971</u>	<u>\$ 859,169</u>

### EXPENSES (Note 8)

Community programs	\$ 782,488	\$ 813,971
Resource development	172,402	171,905
Operations and administration	113,099	121,566
	<u>\$ 1,067,989</u>	<u>\$ 1,107,442</u>

### DEFICIENCY OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:

\$ (177,018) \$ (248,273)

Investment income (loss) (Note 6)

(27,096) 120,266

### DEFICIENCY OF REVENUES OVER EXPENSES

\$ (204,114) \$ (128,007)

See accompanying notes

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# THE TORONTO CITY MISSION

## STATEMENT OF CASH FLOWS

For the year ended June 30,

2016

2015

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### CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

#### OPERATING ACTIVITIES

Deficiency of revenues over expenses	\$ (204,114)	\$ (128,007)
Items not affecting cash		
Investment (income) loss	27,096	(120,266)
Gain on sale of capital assets	(9,021)	-
Gifts in kind	(8,278)	(9,290)
Amortization	3,509	5,477
	<u>\$ (190,808)</u>	<u>\$ (252,086)</u>
Net change in non-cash working capital balances (Note 9)	102,629	(37,507)
	<u>\$ (88,179)</u>	<u>\$ (289,593)</u>

#### INVESTING ACTIVITIES

Proceeds from sale of investments	\$ 175,000	\$ 200,000
Purchase of investments	(28,456)	-
Proceeds from sale of capital assets	12,014	-
	<u>\$ 158,558</u>	<u>\$ 200,000</u>

#### INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

\$ 70,379 \$ (89,593)

#### CASH AND CASH EQUIVALENTS – Beginning

46,368 135,961

#### CASH AND CASH EQUIVALENTS – Ending

\$ 116,747 \$ 46,368

#### SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents consist of the following:

Cash - unrestricted	\$ 91,747	\$ 21,368
Cash - restricted	25,000	25,000
	<u>\$ 116,747</u>	<u>\$ 46,368</u>

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# THE TORONTO CITY MISSION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### ORGANIZATION'S PURPOSE

The Toronto City Mission (the "Organization") is a not-for-profit Christian organization that demonstrates God's love in tangible ways by living among the families of our city's poor communities and partnering with others to achieve positive change.

The Organization was incorporated without share capital under the laws of the Province of Ontario in 1967 and is registered with Canada Revenue Agency as a charitable organization.

### 1. SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Fund Accounting

The General Fund accounts for the unrestricted contributions and funds staff support and related expenses including various administrative expenses of the Organization.

The Endowment Fund reports funds to be held in perpetuity. Investment income earned on these funds is not restricted and thus is reported in the General Fund.

#### b) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used.

#### c) Foreign Currency Translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate, while non-monetary assets are translated at the rate of exchange prevailing at the date of the transaction. Revenues and expenses are translated at the average rates of exchange during the year.

#### d) Cash and Cash Equivalents

Cash and cash equivalents include cash in the Organization's bank and investment accounts only.

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**THE TORONTO CITY MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

e) **Capital Assets**

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the assets using the following annual rates and methods:

	<u>Rate</u>	<u>Method</u>
Automotive equipment	30%	declining balance
Computer equipment	3 years	straight-line
Leasehold improvements	8 years	straight-line

f) **Impairment of Long-Lived Assets**

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its 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. There are no impairment indicators in the current year.

g) **Revenue Recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which 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. Endowment contributions are recognized as direct increases in net assets for the year. Government grants are recognized in the period to which they relate when received. Gifts in kind are recognized in revenue when received and are recorded based on the fair market value of the goods received on the date of contribution. Unrestricted bequests are recognized in the period when received by the Organization. Special events revenue and camp fees are recognized on completion of the event to which they relate.

h) **Financial Instruments**

**Measurement of Financial Instruments**

Except where noted, the Organization initially measures all of its financial assets and liabilities at fair value and subsequently measures all of its financial assets and liabilities at amortized cost, with the exception of investments in equity instruments. Investments in equity instruments that are quoted in an active market are measured at fair value. Changes in fair value are recognized in net income.



**THE TORONTO CITY MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

h) **Financial Instruments** - Continued

**Measurement of Financial Instruments** - Continued

Financial instruments measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Other than marketable securities, the Organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Other than marketable securities, the Organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

**Impairment**

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess (deficiency) of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down.

i) **Allocation of Expenses**

The Organization reports expenses in the General Fund based on various operating functions as disclosed on the statement of operations and Note 8. Additionally, the Organization allocates certain common payroll expenses based on relative usage estimations by each function as follows:

	<b>Community Programs</b>	<b>Operations and Administration</b>	<b>Resource Development</b>
Executive Director	33%	33%	33%
Development Officer	0%	0%	100%
Accounting and administrative	33%	33%	33%
Community Missionaries	100%	0%	0%

2. **MARKETABLE SECURITIES**

Marketable securities consist of the following:

	2016	2015
Government bonds	\$ 517,653	\$ 464,027
Canadian equities	415,976	516,492
Foreign equities translated into Canadian dollars	<u>403,472</u>	<u>521,415</u>
	<u>\$1,337,101</u>	<u>\$1,501,934</u>

**THE TORONTO CITY MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	<b>2016</b>	2015
Government grants receivable	\$ 37,331	\$ 36,994
HST receivable	11,724	12,073
Other contributions receivable	<u>450</u>	<u>10,000</u>
	<u><u>\$ 49,505</u></u>	<u><u>\$ 59,067</u></u>

Government grants receivable consists of amounts owing from the City of Toronto's Investing in Neighbourhoods program whereby certain program staff members' salaries are reimbursed.

**4. CAPITAL ASSETS**

Capital assets consist of the following:

	<b>2016</b>			2015
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	Net Book Value
Automotive equipment	\$ -	\$ -	\$ -	\$ 3,236
Computer equipment	29,568	29,568	-	445
Leasehold improvements	<u>22,567</u>	<u>19,746</u>	<u>2,821</u>	<u>5,642</u>
	<u><u>\$ 52,135</u></u>	<u><u>\$ 49,314</u></u>	<u><u>\$ 2,821</u></u>	<u><u>\$ 9,323</u></u>

**5. DEFERRED REVENUE**

Deferred revenue consists of contributions received from various sources for items and projects to be disbursed in the following year as follows:

	<b>2016</b>	2015
Balance - Beginning	\$ 4,433	\$ 30,361
Add: Contributions received related to the following year	101,326	1,198
Less: Amount recognized as revenue in the year	<u>(4,433)</u>	<u>(27,126)</u>
Balance - Ending	<u><u>\$ 101,326</u></u>	<u><u>\$ 4,433</u></u>

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**THE TORONTO CITY MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**6. INVESTMENT INCOME**

Investment income consists of the following:

	2016	2015
Realized gains	\$ 26,720	\$ 37,803
Interest and dividends	21,873	24,060
Net increase (decrease) in fair value of investments	<u>(68,050)</u>	<u>68,169</u>
	\$ (19,457)	\$ 130,032
Less: Investment management fees	<u>7,639</u>	<u>9,766</u>
	<u>\$ (27,096)</u>	<u>\$ 120,266</u>

**7. COMMITMENTS**

The Organization has renewed its lease agreement for its premises located in Chinese Gospel Church, Scarborough, Ontario. The term of the lease is for five years, expiring on December 31, 2019. The rental commitment over the term is between \$18,000 and \$19,000 per year.

The Organization has one year remaining on the lease agreement for office equipment for \$203 per year. The Organization has an agreement for a copier under which they are committed to pay \$1,632 per year until the contract expires in January 2019.

The Organization has entered into an agreement with St. Stephen's Presbyterian Church to partner together and operate various programs to which the Organization has committed \$400 per month. The Organization has also entered into an agreement with Wilmar Heights Baptist Church to partner together and operate the Role Model Moms Program. The Organization has committed \$350 per month towards this purpose.

The combined annual commitments for the next four years are as follows:

2017	\$ 28,735
2018	20,832
2019	20,832
2020	<u>11,232</u>
	<u>\$ 81,631</u>

**THE TORONTO CITY MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**8. ALLOCATED EXPENSES**

The Organization allocates expenses between community programs, resource development and operations and administration functions based on an estimate of the utilization of these services as follows:

	Community Programs	Resource Development	Operations and Administration	Total
<b>Staff</b>				
Salaries	\$ 651,933	\$ 146,079	\$ 44,471	\$ 842,483
Benefits	<u>6,444</u>	<u>796</u>	<u>796</u>	<u>8,036</u>
	<u>\$ 658,377</u>	<u>\$ 146,875</u>	<u>\$ 45,267</u>	<u>\$ 850,519</u>
<b>Administrative and Occupancy</b>				
Office and general	\$ -	\$ -	\$ 31,709	\$ 31,709
Occupancy costs	-	-	18,000	18,000
Insurance	983	-	9,209	10,192
Professional fees	-	-	5,405	5,405
Amortization	-	-	3,509	3,509
	<u>\$ 983</u>	<u>\$ -</u>	<u>\$ 67,832</u>	<u>\$ 68,815</u>
<b>Fundraising</b>	<u>\$ -</u>	<u>\$ 25,527</u>	<u>\$ -</u>	<u>\$ 25,527</u>
<b>Camp and Community Programs</b>				
Victoria Village	\$ 29,584	\$ -	\$ -	\$ 29,584
Jane/Finch RMM	26,743	-	-	26,743
St. James Town	20,356	-	-	20,356
Kingston-Galloway	15,447	-	-	15,447
Willowtree	12,254	-	-	12,254
General	10,363	-	-	10,363
Flemingdon Park	8,298	-	-	8,298
Malvern	83	-	-	83
	<u>\$ 123,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,128</u>
<b>Total</b>	<u>\$ 782,488</u>	<u>\$ 172,402</u>	<u>\$ 113,099</u>	<u>\$ 1,067,989</u>

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**THE TORONTO CITY MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**9. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES**

The net change in non-cash working capital balances consists of:

	2016	2015
Accounts receivable	\$ 9,033	\$ (20,839)
Prepaid expenses	(4,902)	8,518
Accounts payable and accrued liabilities	1,605	742
Deferred revenue	<u>96,893</u>	<u>(25,928)</u>
	<u>\$ 102,629</u>	<u>\$ (37,507)</u>

**10. FINANCIAL INSTRUMENTS**

**Risks and Concentrations**

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at June 30, 2016:

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable. Accounts receivable consists of refundable HST and government grants receivable. It is management's opinion that they are not significantly exposed to credit risk. There has been no change in the assessment of credit risk from the prior year.

b) **Liquidity Risk**

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk with respect to its accounts payable and accrued liabilities. The Organization manages this risk by managing its working capital and by generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

c) **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The Organization is exposed to market risk as follows:

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**THE TORONTO CITY MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**10. FINANCIAL INSTRUMENTS - Continued**

c) **Market Risk - Continued**

i) **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some marketable securities are exposed to foreign exchange fluctuations. As at June 30, 2016, marketable securities totaling \$403,472 (2015 – \$521,415) are denominated in US dollars and have been converted into equivalent Canadian dollars at the exchange rate in effect at the year end. The exposure to this risk changes as the transaction and balance amounts change and as the exchange rate fluctuates. The US exchange rate at June 30, 2016 was 1.29 (2015 - 1.25).

ii) **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 Organization is not significantly exposed to interest rate risk.

iii) **Price Risk**

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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to price risk through its investments in quoted shares. The exposure to this risk fluctuates as the Organization's investments change from year to year.

**11. COMPARATIVE FIGURES**

Certain of the comparative figures have been restated in order to conform with the presentation adopted in the current year.