
SOJOURN HOUSE

(INCORPORATED AS THE MUC SHELTER CORPORATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Sojourn House,

Opinion

We have audited the financial statements of Sojourn House (the organization), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sojourn House as at December 31, 2020 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 for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization 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 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw your attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pennylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

June 9, 2021
Toronto, Ontario

SOJOURN HOUSE
(INCORPORATED AS THE MUC SHELTER CORPORATION)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
Current assets		
Cash	\$ 1,720,374	\$ 1,030,743
Designated cash (note 10)	708,526	522,412
Guaranteed investment certificates (note 3)	635,848	558,353
Designated guaranteed investment certificates (notes 3 and 10)	915,941	944,137
Amounts receivable	27,194	80,848
Due from City of Toronto	31,511	30,283
HST rebate recoverable	40,762	70,903
Prepaid expenses	<u>311,301</u>	<u>332,076</u>
	4,391,457	3,569,755
Capital assets (note 4)	<u>9,136,374</u>	<u>9,439,432</u>
	<u>\$ 13,527,831</u>	<u>\$ 13,009,187</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,137,533	\$ 659,034
Due to City of Toronto	21,782	-
Current portion of mortgages payable (note 5)	168,933	164,670
Deferred contributions (note 7)	<u>22,893</u>	<u>-</u>
	1,351,141	823,704
Long-term portion of mortgages payable (note 5)	5,819,046	5,987,986
Deferred capital grant (note 8)	2,145,980	2,234,980
Deferred capital donations	229,430	238,818
Deferred City of Toronto Homeless Partnership Strategy (HPS) capital funding (note 6)	<u>257,191</u>	<u>312,920</u>
	<u>9,802,788</u>	<u>9,598,408</u>
Net assets		
Designated		
Contingency (note 9)	473,056	473,056
Internally restricted (note 10)	1,624,467	1,466,549
Invested in capital assets (note 11)	515,794	500,058
Unrestricted	<u>1,111,726</u>	<u>971,116</u>
	<u>3,725,043</u>	<u>3,410,779</u>
	<u>\$ 13,527,831</u>	<u>\$ 13,009,187</u>

Approved on behalf of the Board:

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Natalie Reisman, Director
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DocuSigned by:
Michael D..., Director
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see accompanying notes

SOJOURN HOUSE
(INCORPORATED AS THE MUC SHELTER CORPORATION)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

			2020	2019	
	Unrestricted and Invested in Capital assets	Designated		Total	Total
		Contingency	Internally Restricted		
Net assets, beginning of year	\$ 1,471,174	\$ 473,056	\$ 1,466,549	\$ 3,410,779	\$ 2,995,294
Excess of revenue over expenses for the year	314,264	-	-	314,264	415,485
Transfer to internally restricted reserve (note 10)	<u>(157,918)</u>	<u>-</u>	<u>157,918</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 1,627,520</u>	<u>\$ 473,056</u>	<u>\$ 1,624,467</u>	<u>\$ 3,725,043</u>	<u>\$ 3,410,779</u>

see accompanying notes

SOJOURN HOUSE
(INCORPORATED AS THE MUC SHELTER CORPORATION)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
REVENUE		
Government funding (note 12)	\$ 9,186,010	\$ 8,045,271
Donations and other revenue (note 13)	<u>437,930</u>	<u>414,853</u>
	<u>9,623,940</u>	<u>8,460,124</u>
EXPENSES		
Salaries and benefits	4,012,693	2,953,859
Rent	3,179,195	3,148,994
Food	664,214	790,359
Repairs and maintenance	425,227	225,335
Utilities	286,354	209,370
Interest	163,316	167,462
Consultants	152,899	95,333
Office and general	124,150	111,421
Refugee support	62,243	119,868
Telephone	41,241	37,904
Professional fees	15,577	16,852
Transportation	<u>5,197</u>	<u>9,698</u>
	<u>9,132,306</u>	<u>7,886,455</u>
Excess of revenue over expenses before non-operating revenue and expenses	491,634	573,669
Non-operating revenue and expenses		
SCPI capital grant recognized (note 8)	89,000	89,000
Investment income	36,688	54,721
Amortization	<u>(303,058)</u>	<u>(301,905)</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 314,264</u>	<u>\$ 415,485</u>

see accompanying notes

SOJOURN HOUSE
(INCORPORATED AS THE MUC SHELTER CORPORATION)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 314,264	\$ 415,485
Add back non-cash items -		
Amortization of capital assets	303,058	301,905
Capital contributions recognized (notes 8, 12 and 13)	(154,117)	(152,965)
Net change in non-cash working capital items (see below)	<u>626,516</u>	<u>(95,310)</u>
Net cash generated from operating activities	<u>1,089,721</u>	<u>469,115</u>
INVESTING ACTIVITIES		
Guaranteed investment certificates purchased	(49,299)	(34,035)
Capital assets purchased	<u>-</u>	<u>(46,079)</u>
Net cash used for investing activities	<u>(49,299)</u>	<u>(80,114)</u>
FINANCING ACTIVITIES		
Capital funding received from City of Toronto for Homelessness Partnering Strategy	-	46,033
Mortgage principal repayments made	<u>(164,677)</u>	<u>(160,531)</u>
Net cash used for financing activities	<u>(164,677)</u>	<u>(114,498)</u>
NET INCREASE IN CASH FOR THE YEAR	875,745	274,503
Cash, beginning of year	<u>1,553,155</u>	<u>1,278,652</u>
CASH, END OF YEAR	<u>\$ 2,428,900</u>	<u>\$ 1,553,155</u>
Cash is composed of:		
Cash	\$ 1,720,374	\$ 1,030,743
Designated cash	<u>708,526</u>	<u>522,412</u>
	<u>\$ 2,428,900</u>	<u>\$ 1,553,155</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Amounts receivable	\$ 53,654	\$ (36,840)
Due from City of Toronto	(1,228)	(1,839)
HST rebate recoverable	30,141	(24,432)
Prepaid expenses	20,775	(149,302)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	478,499	415,287
Due to City of Toronto	21,782	(11,174)
Deferred contributions	<u>22,893</u>	<u>(287,010)</u>
	<u>\$ 626,516</u>	<u>\$ (95,310)</u>

see accompanying notes

SOJOURN HOUSE
(INCORPORATED AS THE MUC SHELTER CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Sojourn House (the organization) is incorporated without share capital in the Province of Ontario as The MUC Shelter Corporation. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The organization provides short-term shelter, counselling and assistance to refugees and refugee claimants.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Contributions

The organization follows the deferral method of revenue recognition for contributions.

Externally restricted contributions, including government funding, grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions. Externally restricted contributions related to the purchase of capital assets are recorded as revenue in the same period, and on the same basis, as the related capital assets are amortized.

Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received.

Contributed materials and services

Contributed materials and services which are normally purchased by the organization are not recorded in the accounts.

Rental revenue

Rent paid by tenants and subsidies from Toronto Shelter, Support & Housing Administration Division comprising rent supplements and per diems are recognized when services are performed.

Investment income

Investment income comprises interest from cash and guaranteed investment certificates. Investment income is recognized as revenue when earned. Transaction costs are expensed as incurred.

Capital assets

Capital asset purchases are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Building	- 40 years straight-line
Equipment and building improvements	- 5 years straight-line

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Specifically, significant assumptions have been made in arriving at useful life of the capital assets. Estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

SOJOURN HOUSE
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. FINANCIAL INSTRUMENTS

The organization's financial instruments include cash, designated cash, guaranteed investment certificates, designated guaranteed investment certificates, amounts receivable, current and long-term portions of mortgages payable, accounts payable and accrued liabilities.

Guaranteed investment certificates are recorded at cost plus accrued interest income, which approximates fair value. Accounts receivable, accounts payable and accrued liabilities are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value. Current and long-term portions of mortgages payable are initially recorded at fair value and subsequently recorded at amortized cost and net of any provisions for impairment in value.

3. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates are issued by major Canadian chartered banks, bear interest at rates ranging from 0.25% to 2.75% and mature between March 2021 and May 2023. As at December 31, 2020, \$915,941 of these guaranteed investment certificates are restricted as to use by an agreement with CIBC and the City of Toronto (\$944,137 restricted as at December 31, 2019). See note 10.

4. CAPITAL ASSETS

Capital assets are as follows:

	Cost	Accumulated Amortization	2020 Net	2019 Net
Building	\$10,033,229	\$(3,562,977)	\$ 6,470,252	\$ 6,717,580
Equipment and building improvements	565,449	(299,327)	266,122	321,852
Land	<u>2,400,000</u>	<u>-</u>	<u>2,400,000</u>	<u>2,400,000</u>
	<u>\$12,998,678</u>	<u>\$(3,862,304)</u>	<u>\$ 9,136,374</u>	<u>\$ 9,439,432</u>

SOJOURN HOUSE
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

5. MORTGAGES PAYABLE

Mortgages payable are as follows:

	2020	2019
2.76% annual fixed interest rate, CIBC first mortgage, secured by the building, due November 1, 2026, amortized over 30 years, repayable in blended monthly payments of \$26,386	\$ 5,867,789	\$ 6,021,109
No interest, City of Toronto loan due July 1, 2031, amortized over 25 years, repayable in monthly payments of \$946.	<u>120,190</u>	<u>131,547</u>
	5,987,979	6,152,656
Less current portion	<u>(168,933)</u>	<u>(164,670)</u>
Long-term portion	<u>\$ 5,819,046</u>	<u>\$ 5,987,986</u>

Annual principal repayment requirements for the next five years are as follows:

2021	\$ 168,933
2022	173,310
2023	177,811
2024	182,444
2025	187,199

6. DEFERRED CITY OF TORONTO HPS CAPITAL FUNDING

Continuity of deferred City of Toronto HPS capital funding is as follows:

	2020	2019
Deferred HPS capital funding, beginning of year	\$ 312,920	\$ 321,464
Add cash received from HPS capital funding	-	46,033
Less HPS capital funding recognized (note 12)	<u>(55,729)</u>	<u>(54,577)</u>
Deferred HPS capital funding, end of year	<u>\$ 257,191</u>	<u>\$ 312,920</u>

7. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year are as follows:

	2020	2019
Deferred contributions, beginning of year	\$ -	\$ 287,010
Add cash received from government funding	9,153,174	7,703,684
Less government funding recognized (note 12)	<u>(9,130,281)</u>	<u>(7,990,694)</u>
Deferred contributions, end of year	<u>\$ 22,893</u>	<u>\$ -</u>

SOJOURN HOUSE
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

8. DEFERRED CAPITAL GRANT

The organization has entered into a funding agreement with the City of Toronto effective April 1, 2004 under the Supporting Communities Partnership Initiative (SCPI) program. The SCPI grant is administered as a mortgage, which is to be repaid only upon default of the grant requirements. Events of default in the agreement include the following:

- bankruptcy or insolvency
- cessation of operations
- failure to maintain insurance as required by the funding agreement
- mortgage default or failure to pay debts
- failure to operate the Shelter under the terms of the agreement with the City of Toronto
- sale of lease of the property in a manner not authorized by the City of Toronto

Repayment terms in event of default of the agreement are as follows:

- 100% of the grant is repayable if default occurs prior to the first day of the 16th year of the agreement.
- 75% of the grant is repayable if default occurs between the first day of the 16th year and the last day of the 20th year of the agreement.
- 50% of the grant is repayable if default occurs between the first day of the 21st year and the last day of the agreement, March 31, 2029.

In the opinion of management, the organization was not in default of the agreement as at December 31, 2020 or at any time in the year then ended.

Continuity of deferred capital grant for the year is as follows:

	2020	2019
Deferred capital grant, beginning of year	\$ 2,234,980	\$ 2,323,980
Less capital grant revenue recognized in year	<u>(89,000)</u>	<u>(89,000)</u>
Deferred capital grant, end of year	<u>\$ 2,145,980</u>	<u>\$ 2,234,980</u>

9. NET ASSETS DESIGNATED FOR CONTINGENCY PURPOSES

The Board established designated net assets for contingency purposes to help fund unexpected operating or capital needs. The Board has set a goal of approximately three months of operating expenses for these net assets.

SOJOURN HOUSE
(INCORPORATED AS THE MUC SHELTER CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

10. DESIGNATED NET ASSETS INTERNALLY RESTRICTED FOR MORTGAGEE MANDATED RESERVES

Under the terms of the mortgage agreements with CIBC and the City of Toronto (see note 5), the organization is required to maintain reserves for future mortgage principal repayments as well as future capital replacement obligations.

Continuity of designated net assets as mandated by mortgagees is as follows:

	2019	Transfer from unrestricted net assets	2020
CIBC Capital Replacement Reserve Fund (2.5%)	\$ 814,749	\$ 87,732	\$ 902,481
CIBC Principal Paydown Reserve Fund (2.0%)	<u>651,800</u>	<u>70,186</u>	<u>721,986</u>
	<u>\$ 1,466,549</u>	<u>\$ 157,918</u>	<u>\$ 1,624,467</u>

Amounts maintained for mortgagee mandated reserves comprise:

Cash	\$ 522,412	\$ 708,526
Guaranteed investment certificates	<u>944,137</u>	<u>915,941</u>
	<u>\$ 1,466,549</u>	<u>\$ 1,624,467</u>

11. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets is calculated as follows:

	2020	2019
Capital assets (note 4)	\$ 9,136,374	\$ 9,439,432
Less:		
Current portion of mortgages payable	(168,933)	(164,670)
Long-term portion of mortgages payable	(5,819,046)	(5,987,986)
Deferred capital grant	(2,145,980)	(2,234,980)
Deferred capital donations	(229,430)	(238,818)
Deferred City of Toronto HPS capital funding	<u>(257,191)</u>	<u>(312,920)</u>
Net assets invested in capital assets	<u>\$ 515,794</u>	<u>\$ 500,058</u>

SOJOURN HOUSE
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

12. GOVERNMENT FUNDING

Government funding recognized in the year was as follows:

	2020	2019
City of Toronto		
Emergency shelter special project		
165 Grange Avenue	\$ 5,245,314	\$ 4,368,501
Shelter per diem subsidy and block funding	2,059,246	2,038,859
Transitional housing per diem subsidy and block funding	956,864	947,388
Startup Cost and Hotel Project	279,701	50,823
Rent Supplement	224,847	231,614
Housing Help	181,848	181,848
Toronto Bail Program	67,020	56,220
Homelessness Partnering Strategy capital funding recognized	55,729	54,577
Ontario Ministry of Citizenship, Immigration and International Trade		
Newcomer Settlement Program	91,573	91,573
Ontario Ministry of Children, Community and Social Services		
Pay equity funding	<u>23,868</u>	<u>23,868</u>
	<u>\$ 9,186,010</u>	<u>\$ 8,045,271</u>

13. DONATIONS AND OTHER REVENUE

Donations and other revenue are composed of the following:

	2020	2019
Rent	\$ 194,493	\$ 218,027
Rent-geared-to-income	67,022	49,424
Food services	91,427	77,883
General donations	40,163	42,724
Capital donations recognized	9,388	9,388
Other	<u>35,437</u>	<u>17,407</u>
	<u>\$ 437,930</u>	<u>\$ 414,853</u>

SOJOURN HOUSE
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

14. RENTAL COMMITMENT

The organization entered into a rental agreement for additional accommodation for refugee claimants. The rental agreement runs from December 1, 2019 to November 30, 2029. All payments in respect of this rental agreement will be fully funded by the City of Toronto under a funding agreement covering the same period of time.

Annual rental payments for the next five years are as follows:

2021	\$ 3,092,097
2022	3,138,570
2023	3,186,380
2024	3,241,667
2025	3,282,048
Subsequent	<u>16,396,657</u>
	<u>\$ 32,337,419</u>

15. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. This presents uncertainty regarding the organization's future cash flows. The impact of social distancing may significantly impact the organization's future operations. An estimate of the financial impact of the pandemic on these financial statements is not practicable and therefore no adjustments related thereto have been made.