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**SOJOURN HOUSE**  
(INCORPORATED AS THE MUC SHELTER CORPORATION)

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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## 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, 2023, 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, 2023 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 10, 2024  
Toronto, Ontario

**SOJOURN HOUSE**  
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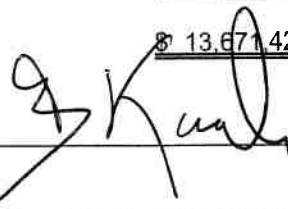
**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current assets		
Cash	\$ 2,540,596	\$ 1,916,891
Designated cash (note 10)	1,575,636	1,065,024
Guaranteed investment certificates (note 3)	173,864	722,421
Designated guaranteed investment certificates (notes 3 and 10)	551,936	872,021
Amounts receivable	44,425	50,081
Due from City of Toronto	37,579	43,788
HST rebate recoverable	140,986	40,428
Prepaid expenses	<u>351,109</u>	<u>347,287</u>
	5,416,131	5,057,941
Long-term assets		
Capital assets (note 4)	<u>8,255,292</u>	<u>8,562,179</u>
	<u>\$ 13,671,423</u>	<u>\$ 13,620,120</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,025,486	\$ 991,718
Due to City of Toronto	-	21,782
Current portion of mortgages payable (note 5)	182,444	177,811
Deferred contributions (note 6)	<u>334,812</u>	<u>358,849</u>
	1,542,742	1,550,160
Long-term liabilities		
Long-term portion of mortgages payable (note 5)	5,285,463	5,467,914
Deferred capital grant (note 8)	1,878,980	1,967,980
Deferred capital donations	201,266	210,654
Deferred City of Toronto Homeless Partnership Strategy (HPS) capital funding (note 7)	<u>90,004</u>	<u>145,733</u>
	<u>8,998,455</u>	<u>9,342,441</u>
Net assets		
Designated		
Contingency (note 9)	713,056	713,056
Internally restricted (note 10)	2,127,572	1,937,045
Invested in capital assets (note 11)	617,135	592,087
Unrestricted	<u>1,215,205</u>	<u>1,035,491</u>
	<u>4,672,968</u>	<u>4,277,679</u>
	<u>\$ 13,671,423</u>	<u>\$ 13,620,120</u>

Approved on behalf of the Board:

 \_\_\_\_\_, Director

 \_\_\_\_\_, Director

see accompanying notes

**SOJOURN HOUSE**  
 (INCORPORATED AS THE MUC SHELTER CORPORATION)

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

			2023	2022
	Unrestricted and Invested in capital assets	Designated		
		Contingency	Internally restricted	Total
				Total
Net assets, beginning of year	\$ 1,627,578	\$ 713,056	\$ 1,937,045	\$ 4,277,679
Excess of revenue over expenses for the year	395,289	-	-	395,289
Transfer to internally restricted (note 10)	<u>(190,527)</u>	<u>-</u>	<u>190,527</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 1,832,340</u></b>	<b><u>\$ 713,056</u></b>	<b><u>\$ 2,127,572</u></b>	<b><u>\$ 4,672,968</u></b>
			<b><u>\$ 4,277,679</u></b>	

see accompanying notes

**SOJOURN HOUSE**  
(INCORPORATED AS THE MUC SHELTER CORPORATION)

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>REVENUE</b>		
Government funding (note 12)	\$10,469,425	\$ 9,297,129
Donations and other (note 13)	<u>493,905</u>	<u>531,143</u>
	<u>10,963,330</u>	<u>9,828,272</u>
<b>EXPENSES</b>		
Salaries and benefits	4,342,766	4,081,627
Rent	3,552,564	3,348,510
Repairs and maintenance	1,013,484	336,302
Food	750,536	786,732
Utilities	318,992	283,181
Office and general	177,321	150,973
Interest	150,175	154,676
Refugee support	132,248	85,138
Consultants	53,534	91,915
Telephone	43,853	53,075
Professional fees	29,398	21,955
Transportation	<u>11,798</u>	<u>10,046</u>
	<u>10,576,669</u>	<u>9,404,130</u>
Excess of revenue over expenses before non-operating revenue and expenses	386,661	424,142
Non-operating revenue and expenses		
SCPI capital grant recognized (note 8)	89,000	89,000
Investment income	226,515	64,487
Amortization	<u>(306,887)</u>	<u>(306,887)</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<u>\$ 395,289</u>	<u>\$ 270,742</u>

see accompanying notes

**SOJOURN HOUSE**  
(INCORPORATED AS THE MUC SHELTER CORPORATION)

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 395,289	\$ 270,742
Add back non-cash items -		
Amortization of capital assets	306,887	306,887
Capital contributions recognized (notes 8, 12 and 13)	(154,117)	(154,117)
Net change in non-cash working capital items (see below)	<u>(104,566)</u>	<u>129,856</u>
Net cash generated from operating activities	443,493	553,368
<b>INVESTING ACTIVITIES</b>		
Guaranteed investment certificates redeemed (purchased)	868,642	(20,635)
<b>FINANCING ACTIVITIES</b>		
Mortgage principal repayments made	<u>(177,818)</u>	<u>(173,316)</u>
<b>NET INCREASE IN CASH FOR THE YEAR</b>	1,134,317	359,417
Cash, beginning of year	<u>2,981,915</u>	<u>2,622,498</u>
<b>CASH, END OF YEAR</b>	<u><b>\$ 4,116,232</b></u>	<u><b>\$ 2,981,915</b></u>
Cash is composed of:		
Cash	\$ 2,540,596	\$ 1,916,891
Designated cash	<u>1,575,636</u>	<u>1,065,024</u>
	<u><b>\$ 4,116,232</b></u>	<u><b>\$ 2,981,915</b></u>
<b>Net change in non-cash working capital items:</b>		
Decrease (increase) in current assets-		
Amounts receivable	\$ 5,656	\$ (25,421)
Due from City of Toronto	6,209	(16,329)
HST rebate recoverable	(100,558)	(4,878)
Prepaid expenses	(3,822)	(28,999)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	33,768	204,339
Due to City of Toronto	(21,782)	-
Deferred contributions	<u>(24,037)</u>	<u>1,144</u>
	<u><b>\$ (104,566)</b></u>	<u><b>\$ 129,856</b></u>

see accompanying notes

# SOJOURN HOUSE

(INCORPORATED AS THE MUC SHELTER CORPORATION)

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

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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
Vehicle	- 10 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, 2023**

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**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 1.30% to 3.20% and mature between February 2024 and September 2026. As at December 31, 2023, \$551,936 of these guaranteed investment certificates are restricted as to use by an agreement with CIBC and the City of Toronto (\$872,021 restricted as at December 30, 2022). See note 10.

**4. CAPITAL ASSETS**

Capital assets are as follows:

	Cost	Accumulated Amortization	2023 Net	2022 Net
Land	\$ 2,400,000	\$ -	\$ 2,400,000	\$ 2,400,000
Building	10,033,229	(4,304,961)	5,728,268	5,975,596
Equipment and building improvements	565,449	(466,514)	98,935	154,664
Vehicle	<u>59,453</u>	<u>(31,364)</u>	<u>28,089</u>	<u>31,919</u>
	<u>\$13,058,131</u>	<u>\$(4,802,839)</u>	<u>\$ 8,255,292</u>	<u>\$ 8,562,179</u>

**SOJOURN HOUSE**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**5. MORTGAGES PAYABLE**

Mortgages payable are as follows:

	2023	2022
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	\$ 5,381,787	\$ 5,548,248
No interest, City of Toronto loan due July 1, 2031, amortized over 25 years, repayable in monthly payments of \$946.	<u>86,120</u>	<u>97,477</u>
	5,467,907	5,645,725
Less current portion	<u>(182,444)</u>	<u>(177,811)</u>
Long-term portion	<u>\$ 5,285,463</u>	<u>\$ 5,467,914</u>

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

2024	\$ 182,444
2025	187,199
2026	4,880,737
2027	11,357
2028	11,357

**6. DEFERRED CONTRIBUTIONS**

Deferred contributions are composed of the following:

	2023	2022
City of Toronto - Emergency shelter special project 165 Grange Avenue	\$ 334,812	\$ 334,812
Other	<u>-</u>	<u>24,037</u>
	<u>\$ 334,812</u>	<u>\$ 358,849</u>

Continuity of deferred contributions for the year are as follows:

	2023	2022
Deferred contributions, beginning of year	\$ 358,849	\$ 357,705
Add cash received from government funding	10,389,659	9,242,544
Less government funding recognized, excluding capital funding (note 12)	<u>(10,413,696)</u>	<u>(9,241,400)</u>
Deferred contributions, end of year	<u>\$ 334,812</u>	<u>\$ 358,849</u>

**SOJOURN HOUSE**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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**7. DEFERRED CITY OF TORONTO HPS CAPITAL FUNDING**

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

	2023	2022
Deferred HPS capital funding, beginning of year	\$ 145,733	\$ 201,462
Less HPS capital funding recognized (note 12)	<u>(55,729)</u>	<u>(55,729)</u>
Deferred HPS capital funding, end of year	<u>\$ 90,004</u>	<u>\$ 145,733</u>

**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 or 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, 2023 or at any time in the year then ended.

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

	2023	2022
Deferred capital grant, beginning of year	\$ 1,967,980	\$ 2,056,980
Less capital grant revenue recognized in year	<u>(89,000)</u>	<u>(89,000)</u>
Deferred capital grant, end of year	<u>\$ 1,878,980</u>	<u>\$ 1,967,980</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**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**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:

	2022	Transfer from unrestricted net assets	2023
CIBC Capital Replacement Reserve Fund (2.5%)	\$ 1,075,584	\$ 105,848	\$ 1,181,432
CIBC Principal Paydown Reserve Fund (2.0%)	<u>861,461</u>	<u>84,679</u>	<u>946,140</u>
	<u>\$ 1,937,045</u>	<u>\$ 190,527</u>	<u>\$ 2,127,572</u>

Amounts maintained for mortgagee mandated reserves comprise:

Cash	\$ 1,065,024	\$ 1,575,636
Guaranteed investment certificates	<u>872,021</u>	<u>551,936</u>
	<u>\$ 1,937,045</u>	<u>\$ 2,127,572</u>

**11. NET ASSETS INVESTED IN CAPITAL ASSETS**

Net assets invested in capital assets is calculated as follows:

	2023	2022
Capital assets (note 4)	\$ 8,255,292	\$ 8,562,179
Less:		
Current portion of mortgages payable	(182,444)	(177,811)
Long-term portion of mortgages payable	(5,285,463)	(5,467,914)
Deferred capital grant	(1,878,980)	(1,967,980)
Deferred capital donations	(201,266)	(210,654)
Deferred City of Toronto HPS capital funding	<u>(90,004)</u>	<u>(145,733)</u>
Net assets invested in capital assets	<u>\$ 617,135</u>	<u>\$ 592,087</u>

**SOJOURN HOUSE**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**12. GOVERNMENT FUNDING**

Government funding recognized in the year was as follows:

	2023	2022
City of Toronto		
Emergency family shelter		
165 Grange Avenue	\$ 5,860,408	\$ 5,543,349
Shelter Block Funding	2,359,008	2,059,248
Transitional Housing Block Funding	1,357,677	956,862
Rent Supplement	245,654	234,704
Housing Help	181,848	181,849
Homelessness Partnering Strategy capital funding recognized	55,729	55,729
Covid-19 funding	-	75,712
Infection Prevention and Control	-	63,000
Other	39,055	7,801
Canada Mortgage and Housing Corporation	250,030	-
Ontario Ministry of Citizenship, Immigration and International Trade		
Newcomer Settlement Program	96,148	95,007
Ontario Ministry of Children, Community and Social Services		
Pay equity funding	<u>23,868</u>	<u>23,868</u>
	<u>\$10,469,425</u>	<u>\$ 9,297,129</u>

**13. DONATIONS AND OTHER REVENUE**

Donations and other revenue are composed of the following:

	2023	2022
Rent	\$ 216,344	\$ 172,856
Food services		
In-kind donations	28,000	81,687
Sales	5,811	4,154
Toronto Bail Program	79,020	74,340
Rent-geared-to-income	63,018	58,875
General donations	58,972	87,640
Capital donations recognized	9,388	9,388
Other	<u>33,352</u>	<u>42,203</u>
	<u>\$ 493,905</u>	<u>\$ 531,143</u>

**SOJOURN HOUSE**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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**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 and after are as follows:

2024	\$ 3,473,811
2025	3,516,599
2026	3,569,348
2027	3,584,760
2028	3,571,983
Subsequent	<u>3,304,376</u>
Total	<u>\$ 21,020,877</u>