

**MARGARET'S HOUSING
AND COMMUNITY
SERVICES INC.**

FINANCIAL STATEMENTS

MARCH 31, 2023

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Margaret's Housing and Community Services Inc.

Qualified Opinion

We have audited the accompanying financial statements of Margaret's Housing and Community Services Inc., which comprise the statement of financial position as at March 31, 2023 and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis of Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 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 Qualified Opinion

In common with many charitable organizations, the corporation derives part of its revenue from fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our examination of these revenues was limited to the amounts recorded in the records of the corporation and we were not able to determine whether any adjustment might be necessary to fundraising, excess of revenues over expenses, assets and net assets.

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 corporation 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 these financial statements in accordance with Canadian generally accepted accounting standards for not-for-profit organizations, and for such internal control as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the corporation'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 corporation or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the corporation's financial reporting process.

Auditors' Responsibility 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.

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 corporation'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 corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw 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 entity 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.

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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.

TURNERMOORE LLP

June 28, 2023
Ajax, Ontario

Chartered Professional Accountants
Licensed Public Accountants



MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

	2023	2022
ASSETS		
Current assets		
Cash <i>(Note 3)</i>	\$ 2,788,634	\$ 2,917,741
Short term investments <i>(Note 4)</i>	431,307	449,493
Accounts receivable <i>(Note 5)</i>	49,319	60,746
HST Recoverable	70,879	339,008
Prepaid construction costs	-	114,404
Prepaid expenses <i>(Note 6)</i>	29,975	258,609
	3,370,114	4,140,001
Restricted Tangible Capital Assets <i>(Note 7)</i>	17,370,860	15,242,818
	\$20,740,974	\$19,382,819

The accompanying notes are an integral part of these financial statements

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 604,333	\$ 1,240,346
Payroll source deductions payable	2,240	1,726
Deferred contributions <i>(Note 11)</i>	594,695	745,356
	1,201,268	1,987,428
Forgivable loan - Restricted Capital Asset <i>(Note 8)</i>	2,500,000	2,500,000
Mortgage payable - Restricted Capital Asset <i>(Note 9)</i>	9,551,295	7,583,744
	13,252,563	12,071,172
NET ASSETS		
Designated Net Assets <i>(Note 4)</i>	431,307	449,493
Contributed Restricted Capital Assets	5,162,206	5,162,206
Unrestricted	1,894,898	1,699,948
	7,488,411	7,311,647
	\$20,740,974	\$19,382,819

Approved on behalf of the Board:

Katie Heelis

Director

Don C. Hansen

Director

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2023

	Unrestricted	Designated	2023	2022
BALANCE, BEGINNING OF THE YEAR	\$ 1,699,948	\$ 449,493	\$ 2,149,441	\$ 1,903,784
Excess receipts over expenditures for the year	176,764	-	176,764	245,657
Allocation of investment income (losses)	18,186	(18,186)	-	-
BALANCE, END OF YEAR	\$ 1,894,898	\$ 431,307	\$ 2,326,205	\$ 2,149,441

CONTRIBUTED RESTRICTED CAPITAL ASSETS

Capital assets, beginning of year	\$ 5,162,206	\$ 5,162,206
BALANCE, END OF YEAR	\$ 5,162,206	\$ 5,162,206

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
RECEIPTS		
City of Toronto <i>(Note 12)</i>	\$ 3,782,233	\$ 3,690,493
Ontario Health	1,068,357	1,019,021
Other Income	84,714	55,376
St. Clare's Multi-Faith Housing	510,578	537,176
Service Canada	5,084	33,871
Family Service Toronto	133,016	135,618
Fees from residents	293,282	227,189
Donations and fundraising	200,371	164,875
Investment income	7,133	300
Daily Bread Food Bank	97,970	-
Solicitor General	402,192	-
Addiction & Mental Health Ontario	16,851	
Fred Victor Mission	51,223	51,223
	6,653,004	5,915,142
EXPENDITURES		
Advertising and promotions	56,695	71,206
Donation and Fundraising expenses	581	16,496
Food program	554,494	624,035
Amortization of capital assets	284,004	-
Insurance	36,863	31,228
Occupancy costs	398,573	257,592
Office and general	249,805	219,236
Professional fees	45,369	22,940
Pledges written off	9,996	-
Interest on long term debt	50,014	-
Program costs	351,562	508,420
Subcontract expenses	659,433	569,062
Training	52,157	17,885
Travel	16,819	24,111
Wages and benefits	3,696,432	3,307,274
	6,462,797	5,669,485
INCOME FROM OPERATIONS	190,207	245,657
OTHER EXPENSE		
Unrealized loss on investments	(13,443)	-
EXCESS OF RECEIPTS OVER EXPENDITURES	\$ 176,764	\$ 245,657

The accompanying notes are an integral part of these financial statements

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Receipts in excess of expenditures	\$ 176,764	\$ 245,657
Amortization of capital assets	284,004	-
Changes in non-cash working capital		
Accounts receivable	11,427	256,223
HST Recoverable	268,129	(149,170)
Prepaid expenses	228,634	(226,393)
Accounts payable and accrued liabilities	(636,013)	(344,208)
Payroll source deductions payable	514	1,173
Deferred contributions	(150,661)	(188,316)
Net cash provided by operations	182,798	(405,034)
INVESTING ACTIVITIES		
Acquisition of restricted capital assets	(2,412,046)	(3,716,909)
Short-term investments	18,186	10,935
Prepaid construction costs	114,404	(6,852)
Net cash used by investing activities	(2,279,456)	(3,712,826)
FINANCING ACTIVITIES		
George Herman House amalgamation	-	206,828
Proceeds from loans	1,967,551	3,783,183
Net cash used in financing activities	1,967,551	3,990,011
Net decrease in cash and cash equivalents	(147,293)	(138,784)
Cash and cash equivalents, beginning the year	3,367,234	3,506,018
Cash and cash equivalents, end the year	\$ 3,219,941	\$ 3,367,234
Cash and cash equivalents consists of the following:		
Cash	\$ 2,788,634	\$ 2,917,741
Short term investments	431,307	449,493
	\$ 3,219,941	\$ 3,367,234

The accompanying notes are an integral part of these financial statements

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

1 INTRODUCTORY NOTES

Margaret's Housing and Community Support Services Inc., formerly known as East Area Women's Mental Health of Toronto Inc. (the organization), is a registered charitable organization incorporated on September 06, 1984 under the federal laws of Canada as a not-for-profit organization without share capital. As a registered charity the organization is exempt from income taxes under Section 149 (1) (L) of the Income Tax Act (Canada).

The organization has been established to provide housing and support services for individuals with mental illness through innovative programming, advocacy and education.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the organization have been prepared in accordance with the Canadian Accounting Standards for Not-For-Profit Organizations.

(a) Use of Estimates

When preparing financial statement in accordance with Accounting Standards for Not-For-Profit Organizations, management is required to make certain estimates and assumptions relating to the:

- Reported amounts of revenue and expenses for the year;
- Reported amounts of assets and liabilities;
- Disclosure of contingent assets and liabilities at the report date; and
- Government grants and partnership funding for comparative.

Assumptions are based on a number of factors, including historical experience, current events and actions that the organization may undertake in future, and other assumptions believed reasonable under the circumstances. These estimates are periodically reviewed and, accordingly, adjustments made to these estimates are taken into income in the year in which it is determined. These estimates are subject to measurement uncertainty, and actual results may therefore differ from those estimates. Estimates are used in determining prepaid and accrued expenses, valuation of contributed tangible capital assets and amounts due from government agencies.

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Use of Estimates

The preparation of financial statement in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Key areas where management has made subjective judgments include, among others, useful life of capital assets, amortization, allowance for doubtful accounts, tax recoverable, and accrued expenses. Actual results could differ from management's best estimates as additional information becomes available in the future.

(b) Revenue Recognition

The organization follows the deferral method of accounting for its various sources of revenue as follows:

Contributions

Externally restricted contributions, including grants and restricted donations are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions, including donations and fundraising revenue are recognized when received.

Fees from residents

Fees paid by residents for accommodation are recognized when services are performed.

Investment Income

Investment income is recognized net of expenses when earned and comprises of distributions from mutual funds including interest, capital gains and losses and other income from securities within the mutual funds.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

(c) Contributed capital assets

Externally restricted contributed capital assets are recorded at fair market value at the date of the contribution. Amortization will be recognized after construction and renovation are completed and the assets are in use.

Buildings, Winchester Barrington & Grant properties

40years straight line

Furniture & Fixtures 20years straight line

Government grants received are treated as a reduction of the cost of the related asset.

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

3 CASH

Cash includes Restricted capital fund of \$ 1,023,209 (\$ 1,111,860 in 2022) which is designated to be used for the renovation of the capital assets contributed by the City of Toronto.

4 SHORT TERM INVESTMENTS - DESIGNATED NET ASSETS

Marketable securities are mutual funds measured at fair market value and are composed of:

	2023	2022
Fixed Income funds	\$ 261,139	\$ 271,668
Equity funds	170,168	177,825
Total	\$ 431,307	\$ 449,493

The Board of Directors has established these investments as internally restricted reserve for strategic purposes and future sustainability.

5 ACCOUNTS RECEIVABLE

	2023	2022
Grants receivable	\$ 43,461	\$ 28,288
Rent and food receivable	5,858	12,017
Fundraising receivable - daily food bank	-	1,500
Miscellaneous receivables	-	18,941
Total	\$ 49,319	\$ 60,746

6 PREPAID EXPENSES

Prepaid expenses in the current year consist primarily of insurance and software subscriptions.

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

7 RESTRICTED TANGIBLE CAPITAL ASSETS

		2023		2022
	Cost	Accumulated Amortization	Net	Net
Land	\$ 663,000	\$ -	\$ 663,000	\$ 663,000
Buildings, Winchester Barrington & Grant properties	16,850,204	276,921	16,573,283	14,579,818
Furniture & Fixtures	141,660	7,083	134,577	-
	\$ 17,654,864	\$ 284,004	\$ 17,370,860	\$ 15,242,818

The organization received contributed tangible capital assets from the City of Toronto.

The assets were initially recognized at the fair market value and are reported net of grants plus construction and renovation costs incurred to date.

These are restricted assets designated by the City to provide affordable housing and are currently under construction and renovation.

The Capital Project was completed and amortization commenced in 2023.

8 FORGIVABLE LOAN

The organization has entered into an agreement with the City of Toronto to receive grants to finance the construction costs of the restricted net assets. A Grant of \$2.5 million is provided in installments by the City as a forgivable loan. The loan will be amortized at 1% annually until it is forgiven, commencing on the one year anniversary of construction and renovation is completed and occupancy begins.

Construction began in 2019 and was substantially completed August 12, 2022 and the building is now occupied, with the amortization commencing in April 2023.

The organization has entered into an agreement with Canada Mortgage and Housing Corporation ("CMHC") on behalf of the Government of Canada to support the construction of the restricted assets. A grant of \$750,000 is provided in installments by CMHC as a forgivable loan. The loan will be amortized in equal portions over its 20 year term (5%) until it is forgiven, commencing on the one year anniversary of the date of the final advance.

The final advance occurred on February 2, 2023.

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
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9 MORTGAGE PAYABLE

	2023	2022
CMHC mortgage advances, 0.94 % interest only, commencing at January 4, 2021. Principle and interest payments will commence within 2 years, with an amortization period of 20 years. Due 2031. Secured by Restricted Capital Assets.	\$ 5,250,000	\$ 5,190,254
CMHC mortgage advances, 1.17 % interest only commencing at February 1, 2021. Principle and interest payments will commence within 2 years, with an amortization period of 40 years. Due 2031. Secured by Restricted Capital Assets.	3,551,295	1,643,489
CMHC Forgivable loan, 0% interest forgivable loan. See note 8 relating to forgiveness.	750,000	750,000
	\$ 9,551,295	\$ 7,583,743

CMHC has approved loans up to \$ 9,551,000, comprised of 3 separate loans.

The purpose of the loans is to finance construction of not less than 35 affordable rental housing units, along with ancillary facilities in Toronto.

10 FINANCIAL INSTRUMENTS

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accruals. The fair value of the instruments approximate their carrying values, unless otherwise noted.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk arising from its grant receivable. These are from government sources and the organization works to ensure it meets all eligibility criteria in order to qualify to receive these grants.

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
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Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet a demand for cash or fund its obligations as they come due.

The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipated financing activities and holding short term marketable securities that can be readily converted into cash. The organization further mitigates these risks by making adjustments to its budgeted expenditures in light of changes.

11 DEFERRED CONTRIBUTIONS

Deferred contributions are composed of the following:

	2023	2022
City of Toronto - Extreme cold weather alerts	\$ 349,318	\$ 349,318
City of Toronto - Drop In	87,500	-
City of Toronto - Other	50,026	55,364
Donations - Winchester project	-	140,153
Ministry of the Solicitor General	94,731	194,977
Other	13,121	5,544
	\$ 594,696	\$ 745,356

MARGARET'S HOUSING AND COMMUNITY SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

12 CITY OF TORONTO GRANTS

The organization received grants from the City of Toronto for various projects as follows:

	2023	2022
Respite	\$ 2,017,288	\$ 2,431,813
Winchester	508,000	-
Drop In	789,811	913,615
Invest in the Neighbourhoods	4,374	19,585
Home for Good	43,420	86,840
Covid 19 Subsidies	110,495	105,983
A Place to Call My Own	27,257	-
Toronto Employment and Social Services	79,407	132,657
Rent Subsidy	202,181	-
Total	\$ 3,782,233	\$ 3,690,493

13 LEASE COMMITMENTS

The organization rents office, program and residential spaces under long term leases in Toronto. Minimal annual lease payments over the terms of the leases are as follows:

2024	\$ 196,247
2025	\$ 188,864
2026	\$ 194,015
2027	\$ 202,735

14 ECONOMIC DEPENDENCE

The organization is economically dependent on the grants it receives from the City of Toronto to finance various programs. The total amount of grants received from the City in 2023 is 57% of total revenue (63% in 2022).