

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
TORONTO, ONTARIO
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Good Shepherd Refuge Social Ministries

Qualified Opinion

We have audited the financial statements of Good Shepherd Refuge Social Ministries (the Organization), which comprise the balance sheet as at March 31, 2023 and the statements of revenue and expenditures, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023 and its results of 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 not for profit organizations, the Organization derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess revenue over expenditures, and cash flows from operations for the years ended March 31, 2023 and March 31, 2022, current assets as at March 31, 2023 and March 31, 2022 and net assets as at April 1, 2022 and 2021, and March 31, 2023 and 2022. Our audit opinion on the financial statements for the year ended March 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 qualified audit 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.

Auditors' 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 auditors' 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 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 attention in our auditors' 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 auditors' 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.

A handwritten signature in black ink that reads "HGK Partners LLP". The letters are cursive and slightly slanted to the right.


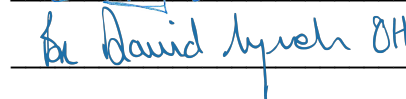
HAMILTON, ONTARIO
July 19, 2023

HGK PARTNERS LLP
Chartered Professional Accountants
Licensed Public Accountants

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES**Balance Sheet****As at March 31, 2023**

	2023	2022
ASSETS		
Current		
Cash	\$ 2,846,968	\$ 5,609,847
Restricted cash - lottery	120	120
Short term investments (Note 2)	3,420,018	3,608,286
Accounts receivable (Note 3)	229,108	131,407
Prepaid expenditures	44,457	131,720
	<u>6,540,671</u>	<u>9,481,380</u>
Long term investments (Note 2)	150,000	150,000
Capital assets (Note 4)	8,609,177	8,488,218
	<u>8,759,177</u>	<u>8,638,218</u>
	<u>\$ 15,299,848</u>	<u>\$ 18,119,598</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 752,575	\$ 398,915
Tenant deposit	-	12,000
Deferred contributions (Note 6)	315,447	109,323
Demand term loan (Note 7)	-	3,986,666
	<u>1,068,022</u>	<u>4,506,904</u>
Deferred contributions related to capital assets (Note 6)	395,193	185,622
	<u>1,463,215</u>	<u>4,692,526</u>
NET ASSETS		
Net assets internally restricted (Note 8)	1,200,000	1,200,000
Internally restricted net assets invested in capital assets (Note 9)	8,213,984	4,315,930
Unrestricted net assets	4,422,649	7,911,142
	<u>13,836,633</u>	<u>13,427,072</u>
	<u>\$ 15,299,848</u>	<u>\$ 18,119,598</u>

Commitments and contingencies (Note 14)

On behalf of the Board:


Director

Director

(See Accompanying Notes)

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Statement of Revenue and Expenditures
Year Ended March 31, 2023

	2023	2022
Revenue		
Donations <i>(Note 10)</i>	\$ 2,289,584	\$ 3,078,201
Investment revenue <i>(Note 13)</i>	118,084	28,149
Care fees and rent	54,441	51,774
Other	5,090	1,676
Subsidies - City of Toronto - Hostel Services per diem	1,714,084	1,714,084
- City of Toronto - other <i>(Note 11)</i>	1,327,738	1,141,408
- Ministry of Health and Long-Term Care		
- AIDS Bureau	60,331	60,331
- COVID-19 DARE/ response support/pandemic pay	-	9,157
- Local Health Integrated Networks (LHIN)		
- Supportive Housing	712,552	654,085
- COVID-19 wage enhancement	11,809	72,133
- Federal COVID-19 Wage Subsidies	-	416,276
Grants - Toronto LHIN - Drug and Alcohol Recovery Enrichment	320,661	320,661
- Veteran and Family Well-Being Fund	68,075	132,531
- Catholic Charities - Development Grant	95,001	94,996
- Other <i>(Note 12)</i>	200,941	57,679
Amortization of deferred capital asset grants <i>(Note 6)</i>	58,729	58,732
	<u>7,037,120</u>	<u>7,891,873</u>
Expenditures		
Computer and website support	163,008	116,521
Equipment rental	3,385	4,207
Food	305,836	214,563
Fundraising	10,000	10,000
Housekeeping and cleaning	157,790	139,777
Insurance	69,662	60,077
Kitchen supplies	136,679	85,961
Interest on loan	191,621	9,670
Mailing, promotion and publicity	41,015	30,824
Medical and nursing services	5,632	2,313
Miscellaneous	17,360	15,940
Office	93,298	84,362
Professional fees	39,617	45,806
Rent	20,307	8,184
Repairs and maintenance	138,787	120,814
Staff training	19,710	13,071
Telephone	65,128	46,354
Utilities	154,260	147,015
Vehicle <i>(Note 14)</i>	57,106	59,895
Wages and benefits	4,638,832	4,335,318
	<u>6,329,033</u>	<u>5,550,672</u>
Excess revenue over expenditures before amortization	708,087	2,341,201
Amortization	298,526	296,839
EXCESS REVENUE OVER EXPENDITURES	<u>\$ 409,561</u>	<u>\$ 2,044,362</u>

(See Accompanying Notes)

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Statement of Changes in Net Assets
Year Ended March 31, 2023

	Net Assets Internally Restricted	Internally Restricted Net Assets Invested in Capital Assets	Unrestricted Net Assets	Total
<u>2023</u>				
Balance, beginning of year	\$ 1,200,000	\$ 4,315,930	\$ 7,911,142	\$ 13,427,072
Excess revenue over expenditures	-	-	409,561	409,561
Amortization	-	(298,526)	298,526	-
Amortization of deferred contributions related to capital assets	-	58,729	(58,729)	-
Principal (increase) reduction in demand term loan	-	3,986,666	(3,986,666)	-
Invested in capital assets (net)	-	419,485	(419,485)	-
Increase in deferred contributions related to capital assets	<u>-</u>	<u>(268,300)</u>	<u>268,300</u>	<u>-</u>
Balance, end of year	<u>\$ 1,200,000</u>	<u>\$ 8,213,984</u>	<u>\$ 4,422,649</u>	<u>\$ 13,836,633</u>
<u>2022</u>				
Balance, beginning of year	\$ 1,200,000	\$ 2,704,347	\$ 7,478,363	\$ 11,382,710
Excess revenue over expenditures	-	-	2,044,362	2,044,362
Amortization	-	(296,839)	296,839	-
Amortization of deferred contributions related to capital assets	-	58,732	(58,732)	-
Principal (increase) reduction in demand term loan	-	(3,986,666)	3,986,666	-
Invested in capital assets (net)	<u>-</u>	<u>5,836,356</u>	<u>(5,836,356)</u>	<u>-</u>
Balance, end of year	<u>\$ 1,200,000</u>	<u>\$ 4,315,930</u>	<u>\$ 7,911,142</u>	<u>\$ 13,427,072</u>

(See Accompanying Notes)

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Statement of Cash Flows
Year Ended March 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess revenue over expenditures	\$ 409,561	\$ 2,044,362
Items not requiring a cash outlay:		
Amortization	298,526	296,839
Amortization of deferred contributions related to capital assets	(58,729)	(58,732)
Reinvested interest and dividend income	<u>(47,446)</u>	<u>(28,355)</u>
	<u>601,912</u>	<u>2,254,114</u>
 (Increase) decrease in accounts receivable	 (97,701)	 61,491
(Increase) decrease in prepaid expenditures	87,263	(48,788)
Increase (decrease) in accounts payable and accrued liabilities	353,660	(35,524)
Increase (decrease) in tenant deposit	(12,000)	12,000
Increase (decrease) in deferred contributions	<u>206,124</u>	<u>(91,557)</u>
	<u>537,346</u>	<u>(102,378)</u>
Net cash provided by (used for) operating activities	<u>1,139,258</u>	<u>2,151,736</u>
INVESTING ACTIVITIES		
Proceeds on disposal of short term and long term investments	235,714	1,049,557
Acquisition of capital assets	<u>(419,485)</u>	<u>(1,836,356)</u>
Net cash provided by (used for) investing activities	<u>(183,771)</u>	<u>(786,799)</u>
FINANCING ACTIVITIES		
Deferred contributions related to capital assets	268,300	-
Issue of loan	26,450	-
Repayment of loan	(26,450)	-
Repayment of demand term loan	<u>(3,986,666)</u>	<u>(13,334)</u>
Net cash provided by (used for) financing activities	<u>(3,718,366)</u>	<u>(13,334)</u>
 Increase (decrease) in cash	 (2,762,879)	 1,351,603
 Cash, beginning of year	 <u>5,609,967</u>	 <u>4,258,364</u>
 Cash, end of year	 <u>\$ 2,847,088</u>	 <u>\$ 5,609,967</u>
 Cash Represented By:		
Cash	\$ 2,827,437	\$ 4,898,311
Cash - held in broker accounts	19,531	711,536
Restricted cash - lottery	<u>120</u>	<u>120</u>
	<u>\$ 2,847,088</u>	<u>\$ 5,609,967</u>
 Non-cash financing and investing activity:		
Capital assets acquired by means of demand term loan	<u>\$ -</u>	<u>\$ 4,000,000</u>

(See Accompanying Notes)

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Notes to Financial Statements
Year Ended March 31, 2023

DESCRIPTION OF ORGANIZATION

Good Shepherd Refuge Social Ministries is a non-share capital corporation, with letters patent issued under Part II of the Canada Corporations Act and continued under the Canada Not-for-profit Corporations Act on October 10, 2013. Its primary purpose is to engage in charitable works and endeavours, of every nature and kind, and to establish, maintain and operate hostels or residences for people in need. As a result of its status as a registered charity, it is exempt from the payment of income taxes under provisions of the Income Tax Act of Canada.

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial Instruments

(i) Measurement of Financial Instruments

The Good Shepherd Refuge Social Ministries initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Transaction costs related to financial assets that will be subsequently measured at fair value are recognized in the statement of revenue and expenditures in the year in which they are incurred.

Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the company is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms.

The organization subsequently measures all its financial assets and liabilities at amortized cost, except for investments which are subsequently measured at fair value. Changes in fair value are recognized in the statement of revenue and expenditures in the period incurred.

Financial assets subsequently measured at amortized cost include cash, restricted cash - lottery and accounts receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write down is recognized in the statement of revenue and expenditures. 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 the statement of revenue and expenditures.

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Notes to Financial Statements
Year Ended March 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investments

Short term investments consist of fixed revenue securities capable of reasonably prompt liquidation or maturing within twelve months from the fiscal year end. Investments are recorded at fair value. Fair values are estimated using year end quoted market values. Investment revenue includes interest, dividends and realized and unrealized gains and losses. Transaction costs are expensed as incurred.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets is recorded on a straight line basis over the estimated useful life of the assets as follows:

Land improvements	- 10 - 15 years
Buildings	- 25 - 40 years
Computer equipment	- 5 years
Furniture and equipment	- 10 - 15 years
Vehicles	- 4 - 6 years

Maintenance and repair costs are recognized as an expenditure when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized.

A capital 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 on the statement of revenue and expenditures 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 capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

(d) Revenue Recognition

The organization follows the deferral method of accounting for contributions which include funding from the provincial and municipal governments and other charitable organizations and donations from various donors.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Contributions externally restricted for capital assets are deferred and amortized over the life of the related capital asset (*Note 1(c)*). The effect of this policy is to include amortization of deferred contributions in current revenue, matching the amortization of the assets capitalized with these dollars.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue Recognition (Continued)

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Revenue from bequests is recorded when the proceeds are received and any conditions attached to the bequests are acceptable to the organization.

Fees for services and other revenue are recognized as they are earned. Revenue from fundraising special events and a lottery are recognized upon completion of the event.

(e) Donations in Kind

Donations of food and clothing and other contributed assets received during the year are not accounted for in these financial statements, except for those where fair value can be reasonably estimated at the date of contribution, are used in the normal course of the organization's operations, would otherwise have been purchased and a donation receipt was issued.

(f) Contributed Services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

(g) 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, and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenditures during the period. Key estimates include the amortization period and rates for capital assets. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Notes to Financial Statements
Year Ended March 31, 2023

2. INVESTMENTS

	<u>2023</u>	<u>2022</u>
Short Term Investments		
Renaissance High Interest Savings Account Money Market Fund	\$ 320,018	\$ 1,008,286
Guaranteed Investment Certificates, interest ranging from 2.80% to 3.90% (2022 - .50% to .80%), maturing from May 2, 2023 to June 26, 2023 (2022 - April 29, 2022 to June 23, 2022)	<u>3,100,000</u> 3,420,018	<u>2,600,000</u> 3,608,286
Long Term Investments		
Prime linked 2.25%, one year and two days, cashable guaranteed investment certificate maturing August 10, 2023 (2022 - prime minus 2.45%, August 8, 2022)	<u>150,000</u>	<u>150,000</u>
Total investments	<u>\$ 3,570,018</u>	<u>\$ 3,758,286</u>

3. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
City of Toronto - Temporary Pandemic Pay	\$ -	\$ 17,798
Interest receivable	86,852	16,855
HST rebate receivable	123,398	87,760
Other	<u>18,858</u>	<u>8,994</u>
	<u>\$ 229,108</u>	<u>\$ 131,407</u>

4. CAPITAL ASSETS

	<u>2023</u>			<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Property - land	\$ 5,806,915	\$ -	\$ 5,806,915	\$ 5,806,915
Land improvement	31,828	-	31,828	-
Building - Mathias Place	386,501	-	386,501	75,586
Buildings	4,823,653	2,842,322	1,981,331	2,130,076
Computer equipment	140,294	104,342	35,952	37,570
Furniture and equipment	1,888,195	1,572,461	315,734	354,185
Vehicles	<u>215,741</u>	<u>164,825</u>	<u>50,916</u>	<u>83,886</u>
	<u>\$ 13,293,127</u>	<u>\$ 4,683,950</u>	<u>\$ 8,609,177</u>	<u>\$ 8,488,218</u>

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Notes to Financial Statements
Year Ended March 31, 2023

4. CAPITAL ASSETS (Continued)

The parcel of land and related lease for property located at 412 Queen Street East and 10 Tracy Street, Toronto was transferred by the Little Brothers of the Good Shepherd (LBGS) to the Good Shepherd Centre for nominal monetary consideration in the March 31, 1997 fiscal year for the work of the Brothers.

The land at 10 Tracy Street is leased to Good Shepherd Non Profit Homes (GSNPH) under the terms of a 50 year ground lease dated August, 1991 at a nominal amount of \$2. GSNPH entered into a tripartite agreement in August 1991 with LBGS and the Ontario Housing Corporation to arrange a leasehold mortgage for the construction of a building on this property. As at March 31, 2023 the balance of the leasehold mortgage held by GSNPH on this property is \$974,852 (2022 - \$1,120,423) and matures April 1, 2024.

Good Shepherd Refuge Social Ministries is related to GSNPH as both organizations were established by the members of the religious order of the Little Brothers of the Good Shepherd (LBGS). In 2015, the LBGS canonically fused with the Hospitaller Order of St. John (HOSJOG) and is now known as the Hospitaller Order of St. John of God - Province of the Good Shepherd in North America.

A parcel of land at 1731 Lawrence Avenue, Toronto, was purchased during the prior fiscal year in the amount of \$5,634,915 plus professional fees in the amount of \$75,586, for which a building project named Mathias Place is under as at March 31, 2023.

As at March 31, 2023 Barrett House has a land improvement project under development as disclosed in *Note 14*.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable relating to payroll taxes and workplace safety insurance in the amount of \$19,589 (2022 - \$21,361). Also included is a return of surplus unspent funds to the City of Toronto of \$218,020 (2022 - \$Nil).

6. DEFERRED CONTRIBUTIONS

Deferred contributions represents the unexpended portion of designated contributions including program funding and grants received that are related to expenditures for subsequent periods as well as monies received for fundraising events scheduled for the next fiscal year.

Deferred contributions related to capital assets represents funding for the acquisition of capital assets which will be recognized as revenue in accordance with *Note 1(d)*.

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Notes to Financial Statements
Year Ended March 31, 2023

6. DEFERRED CONTRIBUTIONS (Continued)

	<u>2023</u>	<u>2022</u>
Deferred Contributions		
Balance, beginning of year	\$ 109,323	\$ 200,880
Current year funding received	300,674	138,171
Earned in the year	<u>(94,550)</u>	<u>(229,728)</u>
Balance, end of year	<u><u>\$ 315,447</u></u>	<u><u>\$ 109,323</u></u>

Funding was received for the year from the following grants or contributions:

City of Toronto	\$ 114,640	\$ 5,640
Veteran and Family Well-Being Fund	-	132,531
Other Foundations- other funding	<u>186,034</u>	<u>-</u>
	<u><u>\$ 300,674</u></u>	<u><u>\$ 138,171</u></u>

Deferred Contributions Related to Capital Assets

Balance, beginning of year	\$ 185,622	\$ 244,354
Current year funding received	268,300	-
Amortized to current revenue	<u>(58,729)</u>	<u>(58,732)</u>
Balance, end of year	<u><u>\$ 395,193</u></u>	<u><u>\$ 185,622</u></u>

Funding was received for the year from the following:

Ontario Trillium Foundation - elevator upgrade	\$ 118,300	\$ -
CMHC Seed funding - Mathias Place housing project	<u>150,000</u>	<u>-</u>
	<u><u>\$ 268,300</u></u>	<u><u>\$ -</u></u>

The organization entered into an agreement with Canada Mortgage and Housing Corporation (CMHC) effective June 30, 2022 to June 30, 2024 to receive seed funding contribution of \$150,000 and a financial loan of \$26,450 which was repaid as at March 31, 2023, for the Mathias Place housing project. Eligibility for the contribution is conditional upon ongoing compliance with the terms and conditions of the agreement and the project must at all times meet the minimum affordability criteria in accordance with municipal/provincial standards or, as determined by CMHC.

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Notes to Financial Statements
Year Ended March 31, 2023

7. DEMAND TERM LOAN

	<u>2023</u>	<u>2022</u>
<u>1731 Lawrence Avenue, Toronto</u>		
Prime plus .25% demand term loan, due on demand, repayable in monthly instalments of principal of \$13,333, plus interest, matured and discharged March 2, 2023	<u>\$ -</u>	<u>\$ 3,986,666</u>

The mortgage payable was secured by a first charge on the related property, assignment of rent over the property, general security agreement with a security interest over all present and after acquired personal/movable property of the borrower with a first ranking for inventory/warehouse receipts, machinery and equipment and accounts receivable. A debt service coverage ratio of greater than or equal to 1.25 was required annually.

Management has applied to various levels of government for both capital and operating funds in order to obtain funding in the next fiscal year to develop the property obtained into a viable non profit supportive housing operation.

8. NET ASSETS INTERNALLY RESTRICTED

In 2002, the Board of Directors internally restricted \$750,000 of the unrestricted net assets to be held for project development purposes. During the 2008 fiscal year the Board of Directors internally restricted an additional \$150,000 of the unrestricted net assets to be held for project development purposes.

In 2005, the Board of Directors internally restricted \$150,000 of the unrestricted net assets to be held as a capital asset replacement reserve. During the 2008 fiscal year the Board of Directors internally restricted an additional \$150,000 of the unrestricted net assets to be held as a capital asset replacement reserve.

9. INTERNALLY RESTRICTED NET ASSETS INVESTED IN CAPITAL ASSETS

During the current fiscal year the Board of Directors internally restricted net assets invested in capital assets. Internally restricted net assets invested in capital assets are represented by the net book value of capitalized assets less related deferred contributions and debt. Net assets invested in capital assets represents the amount of net assets that are not available for other purposes because they have been utilized in capital assets.

	<u>2023</u>	<u>2022</u>
Capital assets (<i>Note 4</i>)	\$ 8,609,177	\$ 8,488,218
Deferred contributions related to capital assets (<i>Note 6</i>)	(395,193)	(185,622)
Debt related to capital assets (<i>Note 7</i>)	-	(3,986,666)
	<u>\$ 8,213,984</u>	<u>\$ 4,315,930</u>

GOOD SHEPHERD REFUGE SOCIAL MINISTRIES
Notes to Financial Statements
Year Ended March 31, 2023

10. DONATIONS

During the year, the organization issued receipts for donations in kind in the amount of \$142,322 (2022 - \$563,743) which are included in donations and fundraising on the statement of revenue and expenditures.

Donations by major source are as follows:

	<u>2023</u>	<u>2022</u>
Bequests and estates	\$ 119,584	\$ 490,831
Foundations	291,453	305,830
In kind	142,322	563,743
Individuals and other corporate	1,533,326	1,578,852
Other not for profit organizations	202,899	138,945
	<u>\$ 2,289,584</u>	<u>\$ 3,078,201</u>

11. SUBSIDIES - CITY OF TORONTO - OTHER

	<u>2023</u>	<u>2022</u>
Community Liaison Worker Program	\$ 80,000	\$ 80,000
Good Food Access Fund Canada	-	90,000
Homeless Initiative Fund (HIF) - Drop In Program	82,032	74,590
HIF - Consolidated Homelessness Prevention Program	207,004	210,755
Municipal Covid 19 Grant	547,994	615,401
Municipal Pandemic Pay Grant	-	70,662
Shelter Diversion	167,935	-
Housing Follow-Up	159,773	-
Infection Prevention and Control (IPAC) funding	83,000	-
	<u>\$ 1,327,738</u>	<u>\$ 1,141,408</u>

12. GRANTS - OTHER

	<u>2023</u>	<u>2022</u>
Royal Canadian Legion	\$ 136,741	\$ -
Helmet to Hardhats Canada Grant	64,200	57,679
	<u>\$ 200,941</u>	<u>\$ 57,679</u>

13. INVESTMENT REVENUE AND EXPENDITURES

	<u>2023</u>	<u>2022</u>
Investment Revenue		
Investment interest	<u>\$ 118,084</u>	<u>\$ 28,149</u>

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14. COMMITMENTS AND CONTINGENCIES

The organization is committed to the following vehicle operating and office equipment lease payments (excluding harmonized sales tax):

2024	-	\$ 19,656
2025	-	13,236
2026	-	<u>5,369</u>
Total future lease payments	-	<u>\$ 38,261</u>

The organization has also entered into a commitment with a contractor for a land improvement project to be completed in the next fiscal for approximately \$147,000 (inclusive of harmonized sales tax) and a contract for approximately \$110,000 (excluding harmonized sales tax) for an elevator upgrade which will commence and be completed in the March 31, 2024 fiscal year end.

A lawsuit has been filed against the organization for \$190,000 which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuit, now pending, is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution. Although the final result of any claim cannot be determined at this time, management is of the opinion that the results will not have a material impact on the financial statements.

The organization has received a reassessment for payroll deductions plus interest pertaining to a prior fiscal year. The organization disagrees with this reassessment and intends to appeal. The ultimate outcome of the objection is not determinable at this time. The balance of approximately \$48,000 has been prepaid in order to avoid further assessment of interest. If the objection is upheld, this amount will be refunded and charged against income in the period in which the assessment is settled.

15. FINANCIAL INSTRUMENTS

The following analysis provides a measure of Good Shepherd Refuge Social Ministries' financial instrument risk exposure and concentrations at March 31, 2023:

(a) Credit Risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The organization determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value. The credit risk on receivables is limited as the amounts owing are from municipal and other government entities. Substantially all of the organization's cash is held at one financial institution and as such the organization is subject to the risks associated with that financial institution.

15. FINANCIAL INSTRUMENTS (Continued)

(b) 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 other price risk. The organization is exposed to interest rate risk.

(c) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rate. As at March 31, 2023 the organization had fixed interest rate investments as described in *Note 2* and a variable interest rate demand term loan as described in *Note 7*. Interest rate risk decreased as at March 31, 2023 with the repayment of the demand term loan. Fixed rate instruments subject the organization to a fair value risk while the floating rate instruments subject it to a cash flow risk.

(d) 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 mainly in respect to its accounts payable and accrued liabilities. The organization has sufficient funds to settle current liabilities. Trade accounts payable and accrued liabilities are generally paid within 30 days. The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash. During the year liquidity risk decreased as a result of repayment of the demand term loan.

There has been no significant change to the risk exposures other than as noted above from the prior year.

16. COMPARATIVE FIGURES

Certain figures have been restated to reflect the presentation adopted for the current fiscal year.