



Financial Statements

Dixon Hall

(o/a Dixon Hall Neighbourhood Services)

March 31, 2019

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# Independent Auditor's Report

To the Members of Dixon Hall

## Opinion

We have audited the financial statements of Dixon Hall ("the Agency"), which comprise the statement of financial position as at March 31, 2019, 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 Dixon Hall as at March 31, 2019, 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 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 Agency 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 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 Agency'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 Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency'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.

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 Agency'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 Agency'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 Agency 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.



Toronto, Canada  
June 17, 2019

Chartered Professional Accountants  
Licensed Public Accountants

# Dixon Hall

## Statement of Financial Position

As at March 31

2019

2018

### Assets

#### Current

Cash and cash equivalents	\$ 1,106,600	\$ 1,578,650
Investments (Note 3)	592,770	919,461
Accounts receivable	2,198,802	1,177,083
Prepaid expenses	<u>289,663</u>	<u>336,989</u>

4,187,835      4,012,183

Property and equipment (Note 4) 4,679,500      2,037,005

**\$ 8,867,335**      **\$ 6,049,188**

### Liabilities and net assets

#### Current

Accounts payable and accrued liabilities	\$ 2,140,688	\$ 1,279,022
Deferred contributions (Note 5)	1,920,115	739,814
Current portion of loans payable (Note 6)	<u>6,602</u>	<u>110,439</u>

4,067,405      2,129,275

Non-current portion of loans payable (Note 6) 120,797      -

Deferred contributions relating to property and equipment (Note 7) 3,444,925      2,731,479

7,633,127      4,860,754

#### Net assets

Endowments (Note 8)	53,508	53,508
Unrestricted	<u>1,180,700</u>	<u>1,134,926</u>

1,234,208      1,188,434

**\$ 8,867,335**      **\$ 6,049,188**

Commitments and contingency (Note 10)

On behalf of the Board



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

See accompanying notes to the financial statements.

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## Dixon Hall

### Statement of Operations

For the year ended March 31

2019

2018

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#### Revenue

City of Toronto (Note 12)	<b>\$ 8,420,810</b>	\$ 5,066,471
Province of Ontario	<b>3,061,513</b>	3,045,303
Federal government	<b>453,536</b>	288,530
Fundraising	<b>1,210,145</b>	1,432,578
United Way of Greater Toronto and York Region	<b>829,166</b>	816,765
User fees	<b>536,531</b>	637,909
Interest	<b>6,833</b>	6,162
Amortization of deferred contributions relating to property and equipment (Note 7)	<b><u>131,669</u></b>	<u>279,104</u>
	<b><u>14,650,203</u></b>	<u>11,572,822</u>

#### Expenses (Note 9)

Neighbourhood programs	<b>1,413,995</b>	1,013,269
Housing and homelessness programs	<b>8,037,677</b>	4,825,886
Seniors programs	<b>3,399,024</b>	3,271,876
Employment programs	<b>1,053,914</b>	1,600,436
Community development programs	<b>318,146</b>	278,805
Infrastructure and support services	<b><u>381,673</u></b>	<u>555,867</u>
	<b><u>14,604,429</u></b>	<u>11,546,139</u>

Excess of revenue over expenses

**\$ 45,774**      **\$ 26,683**

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See accompanying notes to the financial statements.

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## Dixon Hall Statement of Changes in Net Assets

For the year ended March 31,	Endowments	Unrestricted	2019 Total	2018 Total
Net assets, beginning of period	\$ 53,508	\$ 1,134,926	<b>\$ 1,188,434</b>	\$ 1,161,751
Excess of revenue over expenses	<u>-</u>	<u>45,774</u>	<b><u>45,774</u></b>	<u>26,683</u>
Net assets, end of period	<b><u>\$ 53,508</u></b>	<b><u>\$ 1,180,700</u></b>	<b><u>\$ 1,234,208</u></b>	<b><u>\$ 1,188,434</u></b>

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See accompanying notes to the financial statements.

# Dixon Hall

## Statement of Cash Flows

For the year ended March 31,

2019

2018

(Decrease) increase in cash and cash equivalents

<b>Operating</b>		
Excess of revenue over expenses	\$ 45,774	\$ 26,683
Items not involving cash		
Amortization of property and equipment	225,236	334,805
Amortization of deferred contributions relating to property and equipment	<u>(131,669)</u>	<u>(279,104)</u>
	<u>139,341</u>	<u>82,384</u>
Net change in non-cash operating assets and liabilities		
Accounts receivable	(1,021,719)	(199,079)
Prepaid expenses	47,326	(144,303)
Accounts payable and accrued liabilities	861,666	276,740
Deferred contributions	<u>1,180,301</u>	<u>31,011</u>
	<u>1,067,574</u>	<u>(35,631)</u>
	<u>1,206,915</u>	<u>46,753</u>
<b>Financing</b>		
Assumption of loans payable	130,000	-
Repayment of loans payable	<u>(113,040)</u>	<u>(32,334)</u>
	<u>16,960</u>	<u>(32,334)</u>
<b>Investing</b>		
Net change in investments	326,691	(4,571)
Purchase of property and equipment	(2,867,731)	(92,841)
Contributions for property and equipment	<u>845,115</u>	<u>702,981</u>
	<u>(1,695,925)</u>	<u>605,569</u>
Net change in cash and cash equivalents during the period	(472,050)	619,988
Cash and cash equivalents, beginning of period	<u>1,578,650</u>	<u>958,662</u>
Cash and cash equivalents, end of period	<u>\$ 1,106,600</u>	<u>\$ 1,578,650</u>

See accompanying notes to the financial statements.



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# Dixon Hall

## Notes to the Financial Statements

For the year ended March 31, 2019

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### 1. Nature of operations

Dixon Hall (operating as Dixon Hall Neighbourhood Services) (the "Agency") was founded in 1929. The Agency's mission is to create lasting solutions to end poverty, social injustices and isolation in Toronto. The Agency operates over 35 programs and services designed to support this mission. The Agency works in partnership with other agencies, institutions, donors, corporate and government partners, and volunteers to provide a range of programs and services.

The Agency is incorporated under the Corporations Act (Ontario). As a registered charitable organization, the Agency is exempt from income taxes.

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### 2. Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a term to maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

#### Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is taken on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and improvements	20 years
Equipment	5 years
Leasehold improvements	term of the lease
Automotive	5 years

#### Revenue recognition

The Agency follows the deferral method of accounting for contributions, which includes grants and donations. Grants and bequests are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the period in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts. User fees are recognized when the services have been provided.

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# Dixon Hall

## Notes to the Financial Statements

For the year ended March 31, 2019

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### 2. Summary of significant accounting policies – continued

#### Financial instruments

The Agency considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Agency's financial instruments consist of:

- cash and cash equivalents
- accounts receivable
- investments
- accounts payable
- loans payable

Financial assets or liabilities obtained in arms length transactions are initially measured at their fair value and financial assets or liabilities obtained in related party transactions are measured at their exchange amount. The Agency subsequently measures all of its financial assets and financial liabilities at amortized cost.

#### Contributed materials and services

Volunteers contribute numerous hours to the Agency in carrying out certain aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, they are not reflected in the financial statements.

Other contributed services and materials are also not recognized in the financial statements.

#### Allocation of expenses

The Agency allocates salaries and benefits, premises, finance support services and amortization of property and equipment to its charitable purposes. Allocations of salaries and benefits are based on the time spent by the employees on each function. Allocations of premises, support services and amortization are based on the number of staff, time spent, program requirements and office space utilization.

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### 3. Investments

	<u>March 31,</u> <u>2019</u>	<u>March 31,</u> <u>2018</u>
Cash and Province of Ontario bonds with maturity in January 2020 earning interest at 0.05% (2018 – June 2018, 1.40%)	\$ 363,125	\$ 362,770
Guaranteed investment certificates with maturities ranging from December 2019 to January 2020 earning interest at 0.60% (2018 – October 2018 to January 2019, 0.90%)	<u>229,645</u>	<u>556,691</u>
	<u>\$ 592,770</u>	<u>\$ 919,461</u>

# Dixon Hall

## Notes to the Financial Statements

For the year ended March 31, 2019

### 4. Property and equipment

	Cost	Accumulated Amortization	<u>March 31, 2019</u> Net Book Value	March 31, 2018 Net Book Value
Land	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Buildings and improvements				
- Heyworth House Shelter	1,544,624	1,252,530	292,094	358,067
- Sumach and other locations	2,469,094	1,941,948	527,146	443,447
Construction in progress				
- Children and Youth Centre	2,517,332	-	2,517,332	633,264
Equipment	1,419,148	1,241,934	177,214	83,116
Leasehold improvements	710,419	51,610	658,809	-
Automotive	119,346	112,441	6,905	19,111
	<u>\$ 9,279,963</u>	<u>\$ 4,600,463</u>	<u>\$ 4,679,500</u>	<u>\$ 2,037,005</u>

Additions to property and equipment at March 31, 2019 consisted of \$1,884,068 (2018 – \$92,841) in construction in progress on the Children and Youth Centre, \$148,307 (2018 - \$Nil) in equipment purchases, \$150,195 (2018 - \$Nil) in building improvements, and \$685,161 (2018 - \$Nil) in leasehold improvements.

During this fiscal year, the Agency began constructing a new Children and Youth Centre. The facility is to be a four-story building constructed at the corner of Wyatt and Nicholas Avenues on land to be leased from Toronto Community Housing. To date, construction costs, design-related costs and expenses related to the Capital Campaign have been capitalized. Construction is scheduled to be completed in December 2019, at which time amortization of these costs will commence.

### 5. Deferred contributions

	<u>March 31, 2019</u>	March 31, 2018
Deferred contributions, beginning of period	\$ 739,814	\$ 708,803
Add: funds received or receivable during the period	15,692,002	11,318,567
Less: revenue recognized during the period	<u>(14,511,701)</u>	<u>(11,287,556)</u>
Deferred contributions, end of period	<u>\$ 1,920,115</u>	<u>\$ 739,814</u>

# Dixon Hall

## Notes to the Financial Statements

For the year ended March 31, 2019

### 6. Term loans

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Term loan bearing a fixed interest rate determined at the time of borrowing of 4.3% with monthly payments and a 15 year amortization period, secured by the properties at 2714 Danforth Avenue, Ontario and 58 Sumach Street, Ontario with a first charge general security agreement. <b>\$ 127,399</b>	\$ -	
Term loan bearing a floating interest rate of prime plus 0.25% with monthly payments and a 3 year 11 month amortization period, secured by the property at 2714 Danforth Avenue, Ontario and a first charge general security agreement, payable on demand.	<u>-</u>	<u>110,439</u>
	<b>127,399</b>	<b>110,439</b>
Less: current portion	<u>(6,602)</u>	<u>(110,439)</u>
	<b>\$ 120,797</b>	<b>\$ -</b>

In October 2018, the Agency replaced its floating interest loan with a fixed interest rate loan.

At March 31, 2019 the Agency had the following unused loans available:

- A non-revolving term loan of \$2,500,000 bearing an interest rate of prime plus 0.75%.
- A revolving demand facility of \$500,000 bearing an interest rate of prime plus 0.50%.
- A non-revolving term loan of \$700,000 bearing an interest rate of 3.98%. On June 7, 2019, the entire amount of the \$700,000 non-revolving term loan was drawn to fund the construction of several leased buildings. This loan has a 5 year term with an amortization period of 15 years and requires monthly repayment.

As security the Agency has provided a general security agreement providing a first ranking security interest in all personal property of the Agency, a \$1,750,000 first fixed charge on the lands and improvements located at 2714 Danforth Avenue, Ontario and a \$2,625,000 first fixed charge on the lands and improvements located at 58 Sumach Street, Ontario.

The Agency's financing facility includes a requirement to maintain a debt service coverage ratio not less than 1.0:1 at any time, increasing to 1.1:1 for fiscal year ending March 31, 2021, that is to be assessed annually. The Agency is in compliance with this covenant as at March 31, 2019.

Interest paid on long-term debt totaled \$5,028 (2018 - \$5,087).

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## Dixon Hall

### Notes to the Financial Statements

For the year ended March 31, 2019

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#### 7. Deferred contributions relating to property and equipment

Deferred contributions relating to property and equipment represent the unamortized amount of designated grants and donations for capital purchases. At March 31, 2019, the Agency has \$2.7M (2018 - \$1.9M) of deferred contributions related to the Children and Youth Centre. Changes in the deferred contributions related to property and equipment and the Children and Youth Centre fundraising balances are as follows:

	<u>Property and equipment</u>	<u>Children and Youth Centre fundraising</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Balance, beginning of period	\$ 851,380	\$ 1,880,099	<b>\$ 2,731,479</b>	\$ 2,307,602
Add: contributions received	47,811	797,304	<b>845,115</b>	702,981
Less: amounts recognized as revenue during the period	<u>(131,669)</u>	<u>-</u>	<b><u>(131,669)</u></b>	<u>(279,104)</u>
Balance, end of period	<b><u>\$ 767,522</u></b>	<b><u>\$ 2,677,403</u></b>	<b><u>\$ 3,444,925</u></b>	<b><u>\$ 2,731,479</u></b>

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#### 8. Endowment net assets

Endowment net assets consist of amounts that have been gifted to the Agency that must be held in perpetuity with the income used to provide support for the instruction of music to neighbourhood children.

# Dixon Hall

## Notes to the Financial Statements

For the year ended March 31, 2019

### 9. Allocation of expenses

	Neighbourhood programs	Housing and homelessness programs	Seniors programs	Employment programs	Community development programs	Infrastructure and support services	2019 Total	2018 Total
Salaries and benefits	\$ 937,726	\$ 5,577,045	\$ 2,501,548	\$ 795,661	\$ 266,826	\$ 173,496	\$ 10,252,302	\$ 7,967,435
Social, educational and food	246,198	1,182,097	518,920	59,407	24,906	34,019	2,065,547	1,795,053
Premises	77,249	473,733	122,347	80,532	2,997	11,087	767,945	632,004
Support services	140,368	698,074	211,989	110,978	23,417	108,573	1,293,399	816,842
Amortization of property and equipment	<u>12,454</u>	<u>106,728</u>	<u>44,220</u>	<u>7,336</u>	<u>-</u>	<u>54,498</u>	<u>225,236</u>	<u>334,805</u>
	<b><u>\$ 1,413,995</u></b>	<b><u>\$ 8,037,677</u></b>	<b><u>\$ 3,399,024</u></b>	<b><u>\$ 1,053,914</u></b>	<b><u>\$ 318,146</u></b>	<b><u>\$ 381,673</u></b>	<b><u>\$ 14,604,429</u></b>	<b><u>\$ 11,546,139</u></b>

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# Dixon Hall

## Notes to the Financial Statements

For the year ended March 31, 2019

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### 10. Commitments and contingency

The Agency leases certain premises and office equipment. The minimum payments over the next five fiscal years are as follows:

2020	\$ 2,335,970
2021	120,839
2022	85,597
2023	85,878
2024	78,555

The Agency has entered into commitments of \$3,800,000 (2018 - \$3,800,000) of which \$1,628,594 (2018 - \$Nil) has been paid related to the construction of the Children and Youth Centre.

From time to time, the Agency is named as a defendant in legal actions. Although the amount of any liability that could arise with respect to current pending actions cannot be estimated, it is the opinion of management that final determination of these proceedings would not materially affect the financial position or the results of the Agency.

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### 11. Financial instrument risks

The Agency has the following risks associated with its financial instruments:

#### Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Agency does not consider credit risk on its accounts receivable to be significant given the high quality nature of the Agency's sources of revenue. As at March 31, 2019, the allowance for doubtful accounts is \$87,886 (2018 - \$37,483).

#### Interest rate risk

The Agency is exposed to interest rate risk on its short-term investments when the value of these financial instruments fluctuates due to changes in market interest rates.

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### 12. Grant revenue - City of Toronto

Included in grant revenue - City of Toronto is a \$25,000 grant received from the Toronto Arts Council (2018 - \$20,000).

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### 13. Comparative figures

Certain comparative figures have been reclassified where necessary to conform to the financial statement presentation adopted in the current year.