



Financial Statements

Dixon Hall

(o/a Dixon Hall Neighbourhood Services)

March 31, 2020

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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, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Dixon Hall as at March 31, 2020, 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
July 31, 2020

Chartered Professional Accountants
Licensed Public Accountants

Dixon Hall

Statement of Financial Position

As at March 31

2020

2019

Assets

Current

Cash and cash equivalents	\$ 4,969,988	\$ 1,106,600
Investments (Note 3)	232,642	592,770
Accounts receivable	1,266,652	2,198,802
Prepaid expenses	<u>296,759</u>	<u>289,663</u>
	6,766,041	4,187,835

Property and equipment (Note 4)	<u>6,958,242</u>	<u>4,679,500</u>
	<u>\$ 13,724,283</u>	<u>\$ 8,867,335</u>

Liabilities and net assets

Current

Accounts payable and accrued liabilities	\$ 2,310,863	\$ 2,140,688
Deferred contributions (Note 5)	4,826,853	1,920,115
Current portion of loans payable (Note 6)	<u>742,458</u>	<u>6,602</u>
	7,880,174	4,067,405


Non-current portion of loans payable (Note 6)	754,266	120,797
Deferred contributions relating to property and equipment (Note 7)	<u>3,797,440</u>	<u>3,444,925</u>
	<u>12,431,880</u>	<u>7,633,127</u>

Net assets

Endowments (Note 8)	53,508	53,508
Unrestricted	<u>1,238,895</u>	<u>1,180,700</u>
	<u>1,292,403</u>	<u>1,234,208</u>
	<u>\$ 13,724,283</u>	<u>\$ 8,867,335</u>

Commitments and contingency (Note 9)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

Dixon Hall

Statement of Operations

For the year ended March 31

2020

2019

Revenue		
City of Toronto (Note 12)	\$ 12,101,705	\$ 8,420,810
Province of Ontario	3,060,777	3,061,513
Federal government	277,283	453,536
Fundraising	1,304,288	1,210,145
United Way of Greater Toronto and York Region	829,016	829,166
User fees	565,022	536,531
Interest	2,597	6,833
Amortization of deferred contributions relating to property and equipment (Note 7)	<u>231,119</u>	<u>131,669</u>
	<u>18,371,807</u>	<u>14,650,203</u>
Expenses (Note 10)		
Neighbourhood programs	1,554,610	1,413,995
Housing and homelessness programs	11,943,050	8,037,677
Seniors programs	3,223,027	3,399,024
Employment programs	1,125,575	1,053,914
Community development programs	302,141	318,146
Infrastructure and support services	<u>165,209</u>	<u>381,673</u>
	<u>18,313,612</u>	<u>14,604,429</u>
Excess of revenue over expenses	<u>\$ 58,195</u>	<u>\$ 45,774</u>

See accompanying notes to the financial statements.

Dixon Hall Statement of Changes in Net Assets

For the year ended March 31,	Endowments	Unrestricted	2020 Total	2019 Total
Net assets, beginning of year	\$ 53,508	\$ 1,180,700	\$ 1,234,208	\$ 1,188,434
Excess of revenue over expenses	<u>-</u>	<u>58,195</u>	<u>58,195</u>	<u>45,774</u>
Net assets, end of year	<u>\$ 53,508</u>	<u>\$ 1,238,895</u>	<u>\$ 1,292,403</u>	<u>\$ 1,234,208</u>

See accompanying notes to the financial statements.

Dixon Hall

Statement of Cash Flows

For the year ended March 31,

2020

2019

Increase (decrease) in cash and cash equivalents

Operating		
Excess of revenue over expenses	\$ 58,195	\$ 45,774
Items not involving cash		
Amortization of property and equipment	403,067	225,236
Amortization of deferred contributions relating to property and equipment	<u>(231,119)</u>	<u>(131,669)</u>
	<u>230,143</u>	<u>139,341</u>
Net change in non-cash operating assets and liabilities		
Accounts receivable	932,150	(1,021,719)
Prepaid expenses	(7,096)	47,326
Accounts payable and accrued liabilities	170,175	861,666
Deferred contributions	<u>2,906,738</u>	<u>1,180,301</u>
	<u>4,001,967</u>	<u>1,067,574</u>
	<u>4,232,110</u>	<u>1,206,915</u>
Financing		
Assumption of loans payable	1,400,000	130,000
Repayment of loans payable	<u>(30,675)</u>	<u>(113,040)</u>
	<u>1,369,325</u>	<u>16,960</u>
Investing		
Net change in investments	360,128	326,691
Purchase of property and equipment	(2,681,809)	(2,867,731)
Contributions for property and equipment	<u>583,634</u>	<u>845,115</u>
	<u>(1,738,047)</u>	<u>(1,695,925)</u>
Net change in cash and cash equivalents during the year	3,863,388	(472,050)
Cash and cash equivalents, beginning of year	<u>1,106,600</u>	<u>1,578,650</u>
Cash and cash equivalents, end of year	<u>\$ 4,969,988</u>	<u>\$ 1,106,600</u>

See accompanying notes to the financial statements.

Dixon Hall

Notes to the Financial Statements

For the year ended March 31, 2020

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.

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.

Dixon Hall

Notes to the Financial Statements

For the year ended March 31, 2020

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.

Adoption of new standards

On April 1, 2019, the Agency adopted new accounting standards Section 4433 *Tangible capital assets held by not-for-profit organizations* and Section 4434 *Intangible assets held by not-for-profit organizations* (the "standards"). The most significant requirements include:

- tangible capital assets must be separated into their component parts, when practicable, and when estimates can be made of the lives of the separate components;
- tangible capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an agency's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts; and
- additional disclosures when an impairment has occurred.

The adoption of the new accounting standards was applied prospectively, except the agency was permitted to recognize an adjustment to opening net assets at April 1, 2019 to reflect partial impairments of tangible and intangible assets existing at that date. The adoption of these standards did not have any impact on the statement of financial position as at April 1, 2019 and the changes in financial position for the current period.

Dixon Hall

Notes to the Financial Statements

For the year ended March 31, 2020

3. Investments

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Cash and Province of Ontario bonds with matured in January 2020 earning interest at 0.05% (2019 – January 2020, 0.05%)	\$ -	\$ 363,125
Guaranteed investment certificates with maturities ranging from December 2020 to February 2021 earning interest at 1.30% (2019- December 2019 to January 2020, 0.60%)	<u>232,642</u>	<u>229,645</u>
	<u>\$ 232,642</u>	<u>\$ 592,770</u>

4. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>March 31, 2020 Net Book Value</u>	<u>March 31, 2019 Net Book Value</u>
Land	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Buildings and improvements				
- Heyworth House Shelter	1,544,624	1,333,698	210,926	292,094
- Sumach and other locations	2,484,636	1,985,500	499,136	527,146
- Children and Youth Centre	4,940,711	123,518	4,817,193	-
Construction in progress				
- Children and Youth Centre	-	-	-	2,517,332
Equipment	1,519,991	1,315,748	204,243	177,214
Leasehold improvements	730,225	105,140	625,085	658,809
Automotive	<u>242,462</u>	<u>140,803</u>	<u>101,659</u>	<u>6,905</u>
	<u>\$ 11,962,649</u>	<u>\$ 5,004,407</u>	<u>\$ 6,958,242</u>	<u>\$ 4,679,500</u>

Additions to property and equipment at March 31, 2020 consisted of \$2,422,502 (2019 – \$1,884,068) on the Children and Youth Centre, \$100,843 (2019 - \$148,307) in equipment purchases, \$15,542 (2019 - \$150,195) in building and improvements, \$123,116 (2019- \$Nil) in automotive purchases and \$19,806 (2019 - \$685,161) in leasehold improvements.

During this fiscal year, construction on the new Children and Youth Centre was completed and amortization of these costs has started in December 2019. The facility is a four-story building constructed at the corner of Wyatt and Nicholas Avenues on land leased from Toronto Community Housing.

5. Deferred contributions

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Deferred contributions, beginning of period	\$ 1,920,115	\$ 739,814
Add: funds received or receivable during the period	21,044,829	15,692,002
Less: revenue recognized during the period	<u>(18,138,091)</u>	<u>(14,511,701)</u>
Deferred contributions, end of period	<u>\$ 4,826,853</u>	<u>\$ 1,920,115</u>

Dixon Hall

Notes to the Financial Statements

For the year ended March 31, 2020

6. Loans

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Revolving demand facility (a)	\$ 700,000	\$ -
Term loan bearing a fixed interest rate 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 (c)	121,001	127,399
Term loan bearing a fixed rate interest rate of 3.98% with monthly payments and a 15-year amortization period, secured by 192 Carlton Street (d).	<u>675,722</u>	<u>-</u>
	<u>1,496,724</u>	<u>127,399</u>
Less: current portion	<u>(742,458)</u>	<u>(6,602)</u>
	<u>\$ 754,266</u>	<u>\$ 120,797</u>

At March 31, 2020, the Agency had the following loans available:

- A revolving demand facility of \$2,500,000 of which \$1,800,000 was unused as at March 31, 2020, bearing an interest rate of prime plus 0.75% (3.20% at March 31, 2020)
- A revolving demand facility of \$500,000 of which \$500,000 was unused as at March 31, 2020, bearing an interest rate of prime plus 0.50% (2.95% at March 31, 2020)
- A non-revolving term loan of \$130,000 bearing an interest rate of 4.3%
- A non-revolving term loan of \$700,000 bearing an interest rate of 3.98%

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, 2020.

Interest paid on long-term debt totaled \$26,256 (2019 - \$5,028).

Estimated schedule repayments on the term loans over the next five year and thereafter are as follows:

2021	\$ 42,279
2022	44,014
2023	45,820
2024	47,700
2025	49,658
Thereafter	<u>567,252</u>
	<u>\$ 796,723</u>

Dixon Hall

Notes to the Financial Statements

For the year ended March 31, 2020

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, 2020, the Agency has \$3.1M (2019 - \$2.7M) 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:

	Property and equipment	Children and Youth Centre fundraising	March 31, 2020	March 31, 2019
Balance, beginning of period	\$ 767,522	\$ 2,677,403	\$ 3,444,925	\$ 2,731,479
Add: contributions received	32,309	551,325	583,634	845,115
Less: amounts recognized as revenue during the period	<u>(143,606)</u>	<u>(87,513)</u>	<u>(231,119)</u>	<u>(131,669)</u>
Balance, end of period	<u>\$ 656,225</u>	<u>\$ 3,141,215</u>	<u>\$ 3,797,440</u>	<u>\$ 3,444,925</u>

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.

9. Commitments and contingency

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

2021	\$ 158,117
2022	124,328
2023	126,122
2024	120,372
2025	117,178

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.

Dixon Hall

Notes to the Financial Statements

For the year ended March 31, 2020

10. Allocation of expenses

	Neighbourhood programs	Housing and homelessness programs	Seniors programs	Employment programs	Community development programs	Infrastructure and support services	2020 Total	2019 Total
Salaries and benefits	\$ 812,773	\$ 6,864,065	\$ 2,377,774	\$ 599,659	\$ 252,217	\$ 76,520	\$ 10,943,008	\$ 10,252,302
Social, educational and food	295,303	2,010,913	499,394	140,380	11,788	483	2,958,261	2,065,547
Premises	75,232	1,063,128	82,394	149,535	393	3,375	1,374,056	767,945
Support services	245,908	1,876,633	236,736	219,502	37,743	18,697	2,635,220	1,293,399
Amortization of property and equipment	<u>125,394</u>	<u>128,311</u>	<u>66,729</u>	<u>16,499</u>	<u>-</u>	<u>66,134</u>	<u>403,067</u>	<u>225,236</u>
	<u>\$ 1,554,610</u>	<u>\$ 11,943,050</u>	<u>\$ 3,223,027</u>	<u>\$ 1,125,575</u>	<u>\$ 302,141</u>	<u>\$ 165,209</u>	<u>\$ 18,313,612</u>	<u>\$ 14,604,429</u>

Dixon Hall

Notes to the Financial Statements

For the year ended March 31, 2020

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, 2020, the allowance for doubtful accounts is \$6,211 (2019 - \$87,886).

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.

Liquidity risk

The Agency's liquidity risk represents the risk that the Agency could encounter difficulty in meeting obligations associated with its financial liabilities. The Agency is, therefore, exposed to liquidity risk with respect to its accounts payable and accruals and loans payable.

12. Grant revenue - City of Toronto

Included in grant revenue - City of Toronto is a \$25,000 grant received from the Toronto Arts Council (2019 - \$25,000).

13. COVID-19

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Agency has determined that these events have not had a significant financial impact on its ongoing operations. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Agency for future periods. In the meantime, management continues to manage the budget and provide continuing levels of operations and service.