Grant Thornton

Financial Statements

Dixon Hall

(o/a Dixon Hall Neighbourhood Services)

March 31, 2021

Contents

Independent Auditor's Report

Grant Thornton LLP
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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, 2021, 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, 2021, 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.

Grant Thornton LLP

Toronto, Canada
June 21, 2021

Chartered Professional Accountants
Licensed Public Accountants

Dixon Hall
Statement of Financial Position
As at March 31

	2021	2020
Assets		
Current		
Cash and cash equivalents	**$ 2,133,336**	$ 4,969,988
Investments (Note 3)	**7,734,108**	232,642
Accounts receivable	**2,001,126**	1,266,652
Prepaid expenses	**186,049**	296,759
	12,054,619	6,766,041
Property and equipment (Note 4)	**6,978,546**	6,958,242
	$ 19,033,165	$ 13,724,283
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	**$ 2,517,907**	$ 2,310,863
Deferred contributions (Note 5)	**8,614,493**	4,826,853
Current portion of loans payable (Note 6)	**44,308**	742,458
	11,176,708	7,880,174
Non-current portion of loans payable (Note 6)	**710,041**	754,266
Deferred contributions relating to property and equipment (Note 7)	**5,438,592**	3,797,440
	17,325,341	12,431,880
Net assets		
Endowments (Note 8)	**53,508**	53,508
Unrestricted	**1,654,316**	1,238,895
	1,707,824	1,292,403
	$ 19,033,165	$ 13,724,283

Commitments (Note 9)
Contingency (Note 10)

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	**2021**	2020
Revenue		
City of Toronto (Note 13)	**$ 16,837,221**	$ 12,101,705
Province of Ontario	**3,060,694**	3,060,777
Federal government	**233,861**	277,283
Fundraising	**1,341,247**	1,304,288
United Way of Greater Toronto	**839,016**	829,016
User fees	**553,998**	565,022
Interest	**1,466**	2,597
Amortization of deferred contributions relating to property and equipment (Note 7)	**318,899**	231,119
	23,186,402	18,371,807
Expenses (Note 11)		
Neighbourhood programs	**1,595,132**	1,554,610
Housing and homelessness programs	**16,374,343**	11,943,050
Seniors programs	**3,317,721**	3,223,027
Employment programs	**1,011,785**	1,125,575
Community development programs	**254,920**	302,141
Infrastructure and support services	**217,080**	165,209
	22,770,981	18,313,612
Excess of revenue over expenses	**$ 415,421**	$ 58,195

See accompanying notes to the financial statements.

Dixon Hall
Statement of Changes in Net Assets

For the year ended March 31

	Endowments	Unrestricted	**2021 Total**	2020 Total
Net assets, beginning of year	$ 53,508	$ 1,238,895	**$ 1,292,403**	$ 1,234,208
Excess of revenue over expenses	-	415,421	**415,421**	58,195
Net assets, end of year	$ 53,508	$ 1,654,316	**$ 1,707,824**	$ 1,292,403

See accompanying notes to the financial statements.

Dixon Hall
Statement of Cash Flows

For the year ended March 31	**2021**	2020
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	**$ 415,421**	$ 58,195
Items not involving cash		
Amortization of property and equipment	**538,220**	403,067
Amortization of deferred contributions relating to property and equipment	**(318,899)**	(231,119)
	634,742	230,143
Net change in non-cash operating assets and liabilities		
Accounts receivable	**(734,474)**	932,150
Prepaid expenses	**110,710**	(7,096)
Accounts payable and accrued liabilities	**207,044**	170,175
Deferred contributions	**3,787,640**	2,906,738
	3,370,920	4,001,967
	4,005,662	4,232,110
Financing		
Assumption of loans payable	**-**	1,400,000
Repayment of loans payable	**(742,375)**	(30,675)
	(742,375)	1,369,325
Investing		
Net change in investments	**(7,501,466)**	360,128
Purchase of property and equipment	**(558,524)**	(2,681,809)
Contributions for property and equipment	**1,960,051**	583,634
	(6,099,939)	(1,738,047)
Net change in cash and cash equivalents during the year	**(2,836,652)**	3,863,388
Cash and cash equivalents, beginning of year	**4,969,988**	1,106,600
Cash and cash equivalents, end of year	**$ 2,133,336**	$ 4,969,988

See accompanying notes to the financial statements.

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 50 plus 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

Impairment of long-lived assets

The Agency tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

2. Summary of significant accounting policies (continued)

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.

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.

3. Investments

	March 31, 2021	March 31, 2020
Guaranteed investment certificates with maturities ranging from October 2021 to March 2022 earning interest between 0.20% to 0.45% (2020 - December 2020 to February 2021, 1.30%)	**$ 7,734,108**	$ 232,642

4. Property and equipment

	Cost	Accumulated Amortization	**March 31, 2021 Net Book Value**	March 31, 2020 Net Book Value
Land	$ 500,000	$ -	**$ 500,000**	$ 500,000
Buildings and improvements				
- Heyworth House Shelter	1,544,624	1,414,866	**129,758**	210,926
- Sumach and other locations	2,484,636	2,028,685	**455,951**	499,136
- Children and Youth Centre	5,174,488	378,221	**4,796,267**	4,817,193
Equipment	1,630,910	1,385,773	**245,137**	204,243
Leasehold improvements	917,376	167,866	**749,510**	625,085
Automotive	271,776	169,853	**101,923**	101,659
	$ 12,523,810	$ 5,545,264	**$ 6,978,546**	$ 6,958,242

Additions to property and equipment at March 31, 2021 consisted of $233,777 (2020 – $2,422,502) on the Children and Youth Centre, $108,282 (2020 - $100,843) in equipment purchases, $Nil (2020 - $15,542) in building and improvements, $187,151 (2020 - $19,806) in leasehold improvements and $29,314 (2020- $123,116) in automotive purchases.

5. Deferred contributions

	March 31, 2021	March 31, 2020
Deferred contributions, beginning of period	**$ 4,826,853**	$ 1,920,115
Add: funds received or receivable during the period	**26,653,677**	21,044,829
Less: revenue recognized during the period	**(22,866,037)**	(18,138,091)
Deferred contributions, end of period	**$ 8,614,493**	$ 4,826,853

6. Loans

	March 31, 2021	March 31, 2020
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 (a)	**$ 640,324**	$ 675,722
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 (b)	**114,025**	121,002
Revolving demand facility (c)	**-**	700,000
	754,349	1,496,724
Less: current portion	**(44,308)**	(742,458)
	$ 710,041	$ 754,266

At March 31, 2021, the Agency had the following loans available:

a) A non-revolving term loan of $700,000 bearing an interest rate of 3.98%.
b) A non-revolving term loan of $130,000 bearing an interest rate of 4.30%.
c) A revolving demand facility of $2,500,000 of which $2,500,000 (2020 - $1,800,000) was unused as at March 31, 2021, bearing an interest rate of prime plus 0.75%.
d) A revolving demand facility of $500,000 of which $500,000 was unused as at March 31, 2021 and 2020, bearing an interest rate of prime plus 0.50%.

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 1.1:1 at any time, that is to be assessed annually. The Agency is in compliance with this covenant as at March 31, 2021.

Interest paid on long-term debt totaled $29,014 (2020 - $26,256).

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

2022	$ 44,308
2023	46,127
2024	48,021
2025	49,992
2026	52,045
Thereafter	513,856
	$ 754,349

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, 2021, the Agency has $4,715,864 (2020 - $3,141,215) 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, 2021**	March 31, 2020
Balance, beginning of period	$ 656,225	$ 3,141,215	**$ 3,797,440**	$ 3,444,925
Add: contributions received	194,320	1,765,731	**1,960,051**	583,634
Less: amounts recognized as revenue during the period	(127,817)	(191,082)	**(318,899)**	(231,119)
Balance, end of period	$ 722,728	$ 4,715,864	**$ 5,438,592**	$ 3,797,440

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

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

2022	$ 73,000
2023	73,000
2024	73,000
2025	73,000
2026	69,000

10. Contingency

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.

11. Allocation of expenses

	Neighbourhood programs	Housing and homelessness programs	Seniors programs	Employment programs	Community development programs	Infrastructure and support services	**2021 Total**	2020 Total
Salaries and benefits	$ 844,299	$ 10,498,975	$ 2,333,365	$ 659,454	$ 212,099	$ 123,955	**$ 14,672,147**	$ 10,943,008
Social, educational and food	239,603	2,039,624	566,006	138,862	4,862	162	**2,989,119**	2,958,261
Premises	47,476	1,651,698	69,838	63,870	2,099	7,960	**1,842,941**	1,374,056
Support services	204,662	2,034,209	275,667	144,818	35,860	33,338	**2,728,554**	2,635,220
Amortization of property and equipment	259,092	149,837	72,845	4,781	-	51,665	**538,220**	403,067
	$ 1,595,132	**$ 16,374,343**	**$ 3,317,721**	**$ 1,011,785**	**$ 254,920**	**$ 217,080**	**$ 22,770,981**	$ 18,313,612

12. 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, 2021, the allowance for doubtful accounts is $60,120 (2020 - $51,953).

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.

13. Grant revenue - City of Toronto

Included in grant revenue - City of Toronto is a $Nil grant received from the Toronto Arts Council (2020 - $25,000).

14. COVID-19

The outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. 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 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 March 2020, the Agency continues to receive funding to support its services. Management continues to manage the budget and provide continuing levels of operations and service.