



Grant Thornton

Financial Statements

Evangel Hall Mission

October 31, 2020

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Independent Auditor's Report

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To the Members of
Evangel Hall Mission

Opinion

We have audited the financial statements of Evangel Hall Mission ("ehm"), which comprise the statement of financial position as at October 31, 2020, and the statements of operations and 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 ehm as at October 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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 ehm 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 ASNPO, 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 ehm's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate ehm or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ehm'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 ehm'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 ehm'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 ehm 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
January 19, 2021

Chartered Professional Accountants
Licensed Public Accountants

Evangel Hall Mission

Statement of Financial Position

October 31	Program Fund	Residence Fund	Capital Fund	Total 2020	Total 2019
Assets					
Current					
Cash	\$ 556,043	\$ -	\$ -	\$ 556,043	\$ 271,936
Accounts receivable	-	62,076	-	62,076	205,219
HST recoverable	17,562	21,586	-	39,148	41,347
Prepaid expenses	16,207	-	-	16,207	27,306
	589,812	83,662	-	673,474	545,808
Investments, at market value (Note 3)	513,439	801,314	-	1,314,753	915,563
Property and equipment (Note 4)	-	-	9,076,684	9,076,684	9,296,872
	<u>\$ 1,103,251</u>	<u>\$ 884,976</u>	<u>\$ 9,076,684</u>	<u>\$ 11,064,911</u>	<u>\$ 10,758,243</u>
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ 334,193	\$ 45,710	\$ -	\$ 379,903	\$ 309,675
Deferred revenue - grants and subsidies (Note 5)	26,456	103,666	-	130,122	121,093
Current portion of mortgage payable (Note 6)	-	-	169,805	169,805	165,197
	360,649	149,376	169,805	679,830	595,965
Mortgage payable (Note 6)	-	-	2,172,670	2,172,670	2,342,475
Loan payable to the City of Toronto (Note 7)	-	-	1,950,000	1,950,000	1,950,000
Deferred revenue - property and equipment (Note 8)	-	-	331,224	331,224	310,011
	<u>360,649</u>	<u>149,376</u>	<u>4,623,699</u>	<u>5,133,724</u>	<u>5,198,451</u>
Net assets					
Unrestricted	-	-	-	-	-
Invested in property and equipment (Note 9)	-	-	4,452,985	4,452,985	4,529,189
Internally restricted (Note 10)	742,602	-	-	742,602	339,214
Externally restricted (Note 10)	-	735,600	-	735,600	691,389
	<u>742,602</u>	<u>735,600</u>	<u>4,452,985</u>	<u>5,931,187</u>	<u>5,559,792</u>
	<u>\$ 1,103,251</u>	<u>\$ 884,976</u>	<u>\$ 9,076,684</u>	<u>\$ 11,064,911</u>	<u>\$ 10,758,243</u>

On behalf of the Board of Directors

_____ Director

_____ Director

See accompanying notes to the financial statements.

Evangel Hall Mission

Statement of Operations

Year ended October 31

	Program Fund		Residence Fund		Capital Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue								
Donations	\$ 792,213	\$ 567,964	\$ -	\$ 3,658	\$ -	\$ -	\$ 792,213	\$ 571,622
Subsidy	-	-	640,153	673,990	-	-	640,153	673,990
Subsidized rent	-	-	374,970	312,170	-	-	374,970	312,170
Contributions								
Foundations	299,104	118,036	-	-	-	-	299,104	118,036
Churches and church organizations	251,540	157,195	-	-	-	-	251,540	157,195
Government grants	241,835	187,260	-	-	-	-	241,835	187,260
Donated shares	205,365	121,716	-	-	-	-	205,365	121,716
Special events	71,964	162,528	-	-	-	-	71,964	162,528
Bequests	55,402	230,000	-	-	-	-	55,402	230,000
Investment income	15,698	1,540	20,707	6,681	-	-	36,405	8,221
Miscellaneous	19,232	21,153	9,248	13,455	-	-	28,480	34,608
Amortization of deferred revenue for property and equipment (Note 8)	-	-	-	-	13,787	7,533	13,787	7,533
Superintendent rent	-	-	3,936	15,468	-	-	3,936	15,468
Grant	-	38,540	-	-	-	-	-	38,540
Unrealized (loss) gain on investments	(42,077)	11,964	(55,502)	51,919	-	-	(97,579)	63,883
	<u>1,910,276</u>	<u>1,617,896</u>	<u>993,512</u>	<u>1,077,341</u>	<u>13,787</u>	<u>7,533</u>	<u>2,917,575</u>	<u>2,702,770</u>
Expenditures								
Salaries and benefits	1,037,893	952,775	278,073	338,175	-	-	1,315,966	1,290,950
Occupancy costs	145,741	122,763	429,891	277,092	-	-	575,632	399,855
Amortization of property and equipment	-	-	-	-	280,890	270,462	280,890	270,462
Professional and consulting fees	87,484	74,020	10,592	17,806	-	-	98,076	91,826
Donated and purchased supplies	76,778	92,455	10,755	10,019	-	-	87,533	102,474
Interest on mortgage payable (Note 6)	-	-	66,611	71,104	-	-	66,611	71,104
Office supplies and general	41,967	30,952	4,524	8,072	-	-	46,491	39,024
Advertising and promotion	25,477	62,881	-	-	-	-	25,477	62,881
Other expenses	13,968	-	-	-	-	-	13,968	-
Licenses, memberships and dues	11,721	10,234	1,813	665	-	-	13,534	10,899
Interest and bank charges	7,678	6,872	578	654	-	-	8,256	7,526
Education and training	8,399	4,364	1,411	2,603	-	-	9,810	6,967
Superintendent rent	-	-	3,936	15,468	-	-	3,936	15,468
	<u>1,457,106</u>	<u>1,357,316</u>	<u>808,184</u>	<u>741,658</u>	<u>280,890</u>	<u>270,462</u>	<u>2,546,180</u>	<u>2,369,436</u>
Excess (deficiency) of revenue over expenditures	\$ <u>453,170</u>	\$ <u>260,580</u>	\$ <u>185,328</u>	\$ <u>335,683</u>	\$ <u>(267,103)</u>	\$ <u>(262,929)</u>	\$ <u>371,395</u>	\$ <u>333,334</u>

See accompanying notes to the financial statements.

Evangel Hall Mission Statement of Changes in Net Assets

Year ended October 31

	Program Fund		Residence Fund		Capital Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net assets, beginning of year	\$ 339,214	\$ (32,278)	\$ 691,389	\$ 640,592	\$ 4,529,189	\$ 4,621,123	\$ 5,559,792	\$ 5,229,437
Excess (deficiency) of revenue over expenditures	453,170	260,580	185,328	335,683	(267,103)	(262,929)	371,395	333,334
Disbursement from the reserve	-	-	(12,434)	(2,979)	12,434	-	-	(2,979)
Interfund transfers								
Purchase of property and equipment	(48,268)	(103,864)	-	-	48,268	103,864	-	-
Contributions for the purchase of property and equipment	35,000	93,584	-	-	(35,000)	(93,584)	-	-
Repayment of mortgage payable	(165,197)	(160,715)	-	-	165,197	160,715	-	-
Transfer of internally restricted residence funds net of residence replacement reserve requirement	128,683	281,907	(128,683)	(281,907)	-	-	-	-
Net assets, end of year	<u>\$ 742,602</u>	<u>\$ 339,214</u>	<u>\$ 735,600</u>	<u>\$ 691,389</u>	<u>\$ 4,452,985</u>	<u>\$ 4,529,189</u>	<u>\$ 5,931,187</u>	<u>\$ 5,559,792</u>

See accompanying notes to the financial statements.

Evangel Hall Mission

Statement of Cash Flows

Year ended October 31

2020

2019

Increase (decrease) in cash

Operating

Excess of revenue over expenditures	\$ 371,395	\$ 333,334
Items not affecting cash		
Donated shares	(205,365)	(121,716)
Unrealized loss (gain) on investments	97,579	(63,883)
Realized loss (gain) on disposal of investments	9,237	(7,801)
Amortization of property and equipment	280,890	270,462
Recognition of deferred revenue - grants and subsidies (Note 5)	(804,266)	(896,122)
Recognition of deferred revenue for property and equipment (Note 8)	<u>(13,787)</u>	<u>(7,533)</u>
	<u>(264,317)</u>	<u>(493,259)</u>

Change in non-cash working capital items

Accounts receivable	143,143	(145,938)
HST recoverable	2,199	(17,867)
Prepaid expenses	11,099	(3,547)
Accounts payable and accrued liabilities	70,228	67,634
Deferred revenue - grants and subsidies (Note 5)	<u>813,295</u>	<u>920,075</u>
	<u>1,039,964</u>	<u>820,357</u>
	<u>775,647</u>	<u>327,098</u>

Financing

Contributions for the purchase of property and equipment	35,000	93,584
Repayment of mortgage payable	<u>(165,197)</u>	<u>(160,715)</u>
	<u>(130,197)</u>	<u>(67,131)</u>

Investing

Proceeds from sale of investments	179,305	18,835
Purchase of investments	(479,946)	(19,255)
Purchase of property and equipment	(48,268)	(103,864)
Disbursement from capital reserve- purchase of property and equipment	<u>(12,434)</u>	<u>(2,979)</u>
	<u>(361,343)</u>	<u>(107,263)</u>

Increase in cash

284,107 152,704

Cash

Beginning of year	<u>271,936</u>	<u>119,232</u>
End of year	<u>\$ 556,043</u>	<u>\$ 271,936</u>

Evangel Hall Mission

Notes to Financial Statements

October 31, 2020

1. Nature of organization

Evangel Hall Mission (ehm) was incorporated without share capital by Letters Patent dated December 22, 1977 under the Ontario Corporations Act. ehm is a Christian ministry that exists to build community with poor, homeless, and socially isolated people in the inner-city of Toronto through support, housing, services, and advocacy. ehm is a registered charity under the Canadian Income Tax Act (charitable registration number 11890-3129RR-0001).

ehm's volunteer Board of Directors (the "Board") is accountable to the Presbytery of East Toronto (the "Presbytery"), the governing body for Presbyterian congregations in central Toronto. The Presbytery is accountable to the General Assembly of The Presbyterian Church in Canada (the "PCC").

2. Summary of significant accounting policies

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

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess (deficiency) of revenue over expenditures as appropriate in the year they become known.

Fund accounting

ehm uses fund accounting by which separate funds, as determined by resolution of the Board and restrictions imposed by contributors, are maintained to account for and report on ehm's operations.

The Program Fund reflects all unrestricted revenue, program disbursements, assets and liabilities with the exception of those related to the residence.

The Residence Fund reflects unrestricted revenue, expenditures, assets and liabilities associated with the operations of the residence, including interest on the mortgage payable, along with the restricted residence replacement reserve fund (Note 10 (b)) required as a condition of the Affordable Housing Agreement with the City of Toronto.

The Capital Fund reflects amounts invested in property and equipment and amounts internally restricted by the Board.

Evangel Hall Mission

Notes to Financial Statements

October 31, 2020

2. Summary of significant accounting policies (continued)

Property and equipment

Purchased property and equipment are recorded in the Capital Fund at cost and are amortized over their estimated useful life on a straight-line basis as follows:

Building and improvements	40 years
Equipment	3 - 5 years

When property and equipment no longer have any long-term service potential to ehm, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

Revenue recognition

ehm follows the restricted fund method of accounting for restricted contributions. As such, externally restricted contributions are recorded in a restricted fund. Externally restricted contributions without a restricted fund are recorded as deferred revenue and recognized as revenue in the fiscal year in which the related expenditures are recorded.

Unrestricted contributions are recognized as revenue when received, or receivable if collectability is reasonably assured.

Grants, subsidies, investment income and rent are recognized as earned. Grants restricted for the purchase of property and equipment are recognized on the same basis as the amortization of related assets.

Gifts in kind

Donated property, equipment and investments are recorded at fair market value as at the date of contribution when such value can be reasonably determined.

The value of food, services, and clothing donated is not recognized as revenue in the financial statements as their fair value cannot be reasonably estimated.

Allocation of expenses

ehm allocates salaries and benefits and professional and consulting fees to the Program and Residence Funds based on an estimate of time spent by employees and consultants on each function. Professional fees and consulting fees are allocated 61% to the Program Fund and 39% to the Residence Fund. All allocations are consistent with the prior year.

Financial instruments

Initial measurement

ehm's financial instruments are measured at fair value when issued or acquired.

Subsequent measurement

At each reporting date, ehm measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which are measured at fair value. The financial instruments measured at amortized cost are cash, accounts receivable, investments (excluding equities quoted in an active market), accounts payable, and loan payable to the City of Toronto, and mortgage payable.

Evangel Hall Mission

Notes to Financial Statements

October 31, 2020

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

For financial assets measured at cost or amortized cost, ehm regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and ehm determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the fiscal year the reversal occurs.

Objectives and processes for managing capital

ehm's capital is comprised of the net amounts invested in property and equipment, internally restricted and externally restricted funds.

The Finance Committee monitors the status of these funds and makes recommendations to the Board on their usage. Where the funds are not required in the short-term, the balances are invested in accordance with ehm's investment policy.

ehm has invested in a property which is located at 552 Adelaide Street West in Toronto and which consists of:

- 84 rent-g geared-to-income housing units for the homeless and hard to house;
- program space for ehm's drop-in and other service activities; and
- administrative space.

ehm also invests in other property and equipment required to provide services to its clients and to manage the organization. The Board approves an annual capital expenditures budget to add to, replace and/or maintain the amounts invested in property and equipment.

The internally restricted funds are set aside by resolution of the Board. The objectives of the restricted funds are described in Note 10.

The externally restricted funds are subject to the requirements described in Note 10.

It is ehm's objective to maintain unrestricted funds to provide a balance sufficient to meet the annual working capital requirements of ehm and to cover any unanticipated deficits in the annual operating budget. Staff prepare, and the Finance Committee reviews, an annual budget (including both operating and capital expenditure requirements) and a cash flow forecast which projects the unrestricted fund balance required. After the budget is approved by the Board, the Finance Committee monitors the actual results against the forecast and notifies the Board when changes to plans are required.

Evangel Hall Mission

Notes to Financial Statements

October 31, 2020

2. Summary of significant accounting policies (continued)

Adoption of new accounting standards

On November 1, 2019, ehm 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 organization'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 ehm was permitted to recognize an adjustment to opening net assets at November 1, 2019 to reflect partial impairments of tangible and intangible assets existing at that date, if any. The adoption of these standards did not have any impact on the statement of financial position as at November 1, 2019 and the changes in financial position for the current period.

3. Investments, at market value

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 981,907	\$ 505,318
Canadian equities	274,609	348,469
Foreign equities	35,423	44,667
Other	15,906	-
Cash	<u>6,908</u>	<u>17,109</u>
	<u>\$ 1,314,753</u>	<u>\$ 915,563</u>

4. Property and equipment

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 2,270,386	\$ -	\$ 2,270,386	\$ 2,270,386
Building and improvements	10,607,553	3,917,703	6,689,850	6,945,090
Equipment	<u>142,130</u>	<u>25,682</u>	<u>116,448</u>	<u>81,396</u>
	<u>\$ 13,020,069</u>	<u>\$ 3,943,385</u>	<u>\$ 9,076,684</u>	<u>\$ 9,296,872</u>

Evangel Hall Mission

Notes to Financial Statements

October 31, 2020

5. Deferred revenue - grants and subsidies

	<u>2020</u>	<u>2019</u>
Deferred revenue, beginning of year	\$ 121,093	\$ 97,140
Amounts received during the year	813,295	920,075
Amounts recognized as revenue during the year	<u>(804,266)</u>	<u>(896,122)</u>
Deferred revenue, end of year	<u>\$ 130,122</u>	<u>\$ 121,093</u>

6. Mortgage payable

	<u>2020</u>	<u>2019</u>
Mortgage loan, repayable in blended monthly payments of \$19,349, bearing interest at 2.77%, due August 1, 2022, secured by the property at 552 Adelaide Street West and a general security agreement	\$ 2,342,475	\$ 2,507,672
Less: current portion	<u>169,805</u>	<u>165,197</u>
	<u>\$ 2,172,670</u>	<u>\$ 2,342,475</u>

Minimum required principal repayments are as follows:

2021	\$ 169,805
2022	<u>2,172,670</u>
	<u>\$ 2,342,475</u>

During the fiscal year, interest on the mortgage loan was \$66,611 (2019 - \$71,104).

7. Loan payable to the City of Toronto

During fiscal 2006, ehm received a construction loan from the City of Toronto Let's Build Program of \$1,950,000. The loan was interest-free from the date of the first advance, September 23, 2004, to the end of the third year. Beginning December 1, 2007, interest was charged at 3.5% per annum.

During fiscal 2016, interest payable for this loan in the amount of \$472,063 was reversed by an addendum to the loan agreement from the City of Toronto. Interest charges and repayments of the loan payable will be deferred until after the first mortgage is paid in full, which is expected to be in approximately the year 2033 (Note 6). In the event the project realizes a surplus for three consecutive years, subject to certain calculations, ehm may be required to make payments on the loan from a percentage of the surplus.

The loan is secured by a general assignment of the benefit of all agreements affecting the project, a fixed and specific mortgage, a security interest in all personal property, and a floating charge on all other property.

Evangel Hall Mission

Notes to Financial Statements

October 31, 2020

8. Deferred revenue - property and equipment

	<u>2020</u>	<u>2019</u>
Deferred revenue, beginning of year	\$ 310,011	\$ 223,960
Contributions for the purchase of property and equipment	35,000	93,584
Amount amortized and recognized as revenue	<u>(13,787)</u>	<u>(7,533)</u>
Deferred revenue, end of year	<u>\$ 331,224</u>	<u>\$ 310,011</u>

9. Invested in property and equipment

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 4,529,189	\$ 4,621,123
Purchase of property and equipment	60,702	103,864
Amortization of property and equipment	(280,890)	(270,462)
Repayment of mortgage loan payable	165,197	160,715
Contributions for the purchase of property and equipment	(35,000)	(93,584)
Recognition of deferred revenue	<u>13,787</u>	<u>7,533</u>
Balance, end of year	<u>\$ 4,452,985</u>	<u>\$ 4,529,189</u>

10. Net assets

	<u>Opening balance</u>	<u>Net revenue over expenses and transfers</u>	<u>Closing balance</u>
Internally restricted (a)			
Emergencies and Contingency reserve	\$ -	\$ 247,534	\$ 247,534
Special Opportunities reserve	-	247,534	247,534
Housing reserve	-	247,534	247,534
Program reserve	<u>339,214</u>	<u>(339,214)</u>	<u>-</u>
	<u>\$ 339,214</u>	<u>\$ 403,388</u>	<u>\$ 742,602</u>
Externally restricted (b)			
Residence replacement	<u>\$ 691,389</u>	<u>\$ 44,211</u>	<u>\$ 735,600</u>

(a) Internally restricted funds are set aside by resolution of the Board. The objectives of these funds are as follows:

- i. The Emergencies and Contingency reserve is to cover sudden and unexpected expenses and/or loss of funds and to sustain operations during periods of economic recession or depressed fundraising where reducing expenses would (1) prevent ehm from delivering critical services, (2) create risk or instability, and/or (3) prevent important repairs and maintenance;
- ii. Special Opportunities reserve is to cover one-time costs to create new, or to take advantage of existing opportunities to support infrastructure and business planning; and
- iii. Housing reserve is to cover expenses related to projects designed to grow ehm housing including feasibility studies, legal fees, architect and other professional fees.

Evangel Hall Mission

Notes to Financial Statements

October 31, 2020

10. Net assets (continued)

(b) Externally restricted

ehm entered into an Affordable Housing Agreement with the City of Toronto which sets out the rights and obligations of ehm for the operation of the building. As part of the agreement, ehm is required to establish a residence replacement reserve ("fund"). Annual contributions are to represent 8% of annual operating expenditures and the balance in the fund is ultimately to be maintained at 8% of the insured replacement cost of the constructed building and all significant capital items. Interest earned on the reserve is to accrue to the fund. The fund shall only be used for the replacement of capital items and not for ordinary maintenance and minor repairs to the building and grounds.

11. Amounts held in trust on behalf of clients

	<u>2020</u>	<u>2019</u>
Received from clients during the year	\$ 635,240	\$ 479,619
Distributed during the year	(618,786)	(512,137)
Bank charges	<u>(205)</u>	<u>(1,545)</u>
	<u>16,249</u>	<u>(34,063)</u>
Trust bank balance, beginning of year	<u>203,264</u>	<u>237,327</u>
Trust bank balance, end of year	<u>\$ 219,513</u>	<u>\$ 203,264</u>

ehm holds monies of various clients in trust. As the related assets and liabilities are not those of ehm, they are not reflected in these financial statements.

12. Related party transactions

The PCC processes ehm's payroll and benefits program and this service is provided at no charge to ehm.

13. Financial instruments

ehm's main financial instrument exposure is detailed as follows:

Credit risk

Credit risk arises from the potential that accounts receivable are not paid. ehm is exposed to credit risk relating to its amounts receivable as failure of any of these parties to fulfill their obligation could result in significant financial losses. The allowance for doubtful accounts in relation to accounts receivable are \$Nil (2019 - \$Nil).

Liquidity risk

ehm's liquidity risk represents the risk that ehm could encounter difficulty in meeting obligations associated with financial liabilities. Included in accounts payable and accrued liabilities are government remittances owing of \$Nil (2019 - \$Nil).

Evangel Hall Mission

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13. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. ehm is exposed to interest rate risk on fixed income investments in pooled funds, the loan payable to the City of Toronto and mortgage payable, as their value will change with market fluctuations.

14. Comparative balances

Certain comparative balances have been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.

15. COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of COVID-19. Since that time, the pandemic has severely impacted local economies around the globe. In many countries, including Canada, organizations were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of COVID-19, including travel bans, quarantines, physical distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in a widespread economic slowdown. Governments and central banks have responded with monetary and fiscal interventions in an attempt to stabilize economic conditions.

The duration and impact of the 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 of the Church for future periods. In March 2020, the Church adjusted its operations in order to limit the exposure of the virus. As at the audit report date, the Church has generally maintained its level of donations relative to historical trends. However, ehm is reviewing its financial results on a regular basis to ensure it maintains liquid assets and ongoing cost mitigation efforts to sustain ehm.