



FINANCIAL REPORT

A cutting-edge residential experience, that tackles the current housing crises, and creates a warm, inclusive home for adults with developmental disabilities



2020

dani-toronto.com/residential

DANI'S PLACE RESIDENTIAL SUPPORT

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of DANI'S PLACE RESIDENTIAL SUPPORT

Opinion

We have audited the statement of financial position of DANI'S PLACE RESIDENTIAL SUPPORT (the "Organization") as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of DANI'S PLACE RESIDENTIAL SUPPORT as at December 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.

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 Company 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(continues)



Independent Auditor's Report to the Board of Directors of DANI'S PLACE RESIDENTIAL SUPPORT
(continued)

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 Company'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 Company'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 Company 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.

SRCO Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Richmond Hill, Ontario
June 28, 2021

DANI'S PLACE RESIDENTIAL SUPPORT

STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

	2020	2019
	\$	\$
ASSETS		
CURRENT		
Cash	102,875	54,235
Security deposit	10,000	—
Sales tax recoverable	8,991	1,187
	121,866	55,422
CAPITAL ASSETS [note 3]	1,635,105	1,582,746
	1,756,971	1,638,168
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	22,205	18,063
	22,205	18,063
LONG-TERM LOAN [note 4]	1,160,000	1,010,000
	1,182,205	1,028,063
NET ASSETS		
Unrestricted - invested in capital assets	574,766	610,105
	1,756,971	1,638,168

See accompanying notes

On behalf of the Board:



..... Director

..... Director

DANI'S PLACE RESIDENTIAL SUPPORT

STATEMENT OF OPERATIONS

Year ended December 31, 2020

	2020	2019
	\$	\$
REVENUE	10,430	—
	10,430	—
EXPENDITURES		
Professional fees	21,173	24,422
Property tax	12,830	663
Insurance	5,983	3,989
Subcontractor costs	2,554	—
Utilities	2,453	721
Office and general	422	55
Interest and bank charges	234	28
Foreign exchange loss	120	17
	45,769	29,895
DEFICIENCY OF REVENUE OVER EXPENDITURES FOR THE YEAR	(35,339)	(29,895)

See accompanying notes

DANI'S PLACE RESIDENTIAL SUPPORT

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2020

	[Unrestricted]	
	2020	2019
	\$	\$
BALANCE, BEGINNING OF YEAR	610,105	—
Deficiency of revenue over expenditures for the year	(35,339)	(29,895)
Forgiveness of loan for the purchase of Property [Note 4]	—	640,000
BALANCE, END OF YEAR	574,766	610,105

See accompanying notes

DANI'S PLACE RESIDENTIAL SUPPORT

STATEMENT OF CASH FLOWS

Year ended December 31, 2020

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for the year	(35,339)	(29,895)
Items not involving cash		
Property tax	—	663
	(35,339)	(29,232)
Change in non-cash working capital balances:		
Sales tax recoverable	(7,804)	(1,187)
Security deposit	(10,000)	—
Accounts payable and accrued liabilities	4,142	18,063
Cash used in operating activities	(49,001)	(12,356)
INVESTING ACTIVITIES		
Construction work-in-progress	(52,359)	—
Cash used in investing activities	(52,359)	—
FINANCING ACTIVITIES		
Long-term loan	150,000	66,591
Cash provided by financing activities	150,000	66,591
INCREASE IN CASH	48,640	54,235
CASH - BEGINNING OF YEAR	54,235	—
CASH - END OF YEAR	102,875	54,235
<i>Non-cash financing and investing activities</i>		
Purchase of capital assets through long-term loan	—	1,582,746

See accompanying notes

DANI'S PLACE RESIDENTIAL SUPPORT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

1. PURPOSE OF THE ORGANIZATION

DANI'S PLACE RESIDENTIAL SUPPORT (the "Organization") is incorporated under the laws of Ontario. The Organization's mission is to provide a home for young adults living with cognitive disabilities. The Organization is a registered Canadian charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

The Organization was incorporated on December 8, 2016, but did not have any activities, assets, liabilities or net assets until January 1, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as contained in Part III of the Chartered Professional Accountant Canada ("CPAC") Handbook. To the extent Part III of the CPAC Handbook does not address certain matters applicable to the Organization; it will use accounting standards for private enterprises contained in Part II of the CPAC Handbook.

Revenue recognition

The Organization follows the deferral method of accounting for contributions that include donations and contributions for various activities and programs. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted donations are recognized as revenue when received since pledges are not legally enforceable claims. Debt financing may be incurred to fund the purchase of capital assets that will not be amortized, such as land. Any forgiveness of loan for purchase of land is recognized as direct increases in net assets. Externally restricted contributions are recognized as revenue in the period that the related expenses are incurred.

DANI'S PLACE RESIDENTIAL SUPPORT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at cost or amortized cost includes cash.

Financial liabilities measured at cost or amortized cost includes accounts payable and accrued liabilities and long-term loan.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Gains or losses resulting from currency transactions are included in the statement of operations.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Capital assets, except for land, are amortized over their estimated useful lives using the declining balance method once purchased or put in use. The cost of land and construction work-in-progress is not amortized.

DANI'S PLACE RESIDENTIAL SUPPORT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed materials and services

Volunteers contribute extensive time and effort to assist the Organization in carrying out its activities. Because of the difficulty in determining fair value, contributed materials and services are not recognized in the financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management reviews these estimates periodically and include accruals. As adjustments become necessary, they are reported in the period that they become known. Actual results may vary from the current estimates.

Impairment of financial instruments

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Impairment of long-lived assets

The Organization reviews long-lived assets such as capital assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment of the carrying value of the assets exist and the carrying value is greater than the net recoverable value, an impairment loss is recognized to the extent that the fair value is below the carrying value.

DANI'S PLACE RESIDENTIAL SUPPORT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

3. CAPITAL ASSETS

Capital assets consist of the following:

	Cost \$	Accumulated amortization \$	2020 Net book value \$	2019 Net book value \$
Land	1,582,746	—	1,582,746	1,582,746
Construction work-in-progress	52,359	—	52,359	—
	1,635,105	—	1,635,105	1,582,746

During the year ended 2019, the Organization purchased a property with the intention to rebuild and construct a residential space for young adults with cognitive disabilities. As the current structure is very old and has no value, the entire cost of purchase was allocated to land.

4. LONG-TERM LOAN

During the fiscal year 2019, the Organization entered into a loan agreement (“Agreement”) with a third party (“Lender”) for a financing facility in the aggregate amount of \$2,600,000 for the purchase and re-construction of the property at 174 Crestwood Road, Thornhill, Ontario (“Property”).

The loan will be advanced in two tranches:

1. First Tranche – principal amount of \$1,650,000 was advanced in 2019 to be used to complete the purchase of the Property;
2. Second Tranche of \$150,000 was advanced in 2020; and
3. The remaining principal amount of \$800,000 shall be advanced in stages as required to fund expenses to be incurred by the Organization and approved by the Lender. After completion of the redevelopment of the Property and payment of expenses, the balance, if any, of the second tranche will be advanced to the Organization for the purpose of establishing a General Housing Reserve Fund to be used by the Organization to cover any shortfall in the operational account, including property taxes, utilities, maintenance and repairs, staff salaries and food and supplies.

The loan of \$2,600,000 is interest free, is secured by a first collateral charge on the Property in the amount of \$2,600,000, having a carrying value of \$1,635,105 and is due for repayment on July 31, 2034.

DANI'S PLACE RESIDENTIAL SUPPORT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

4. LONG-TERM LOAN (continued)

On December 27, 2019, the Lender made a donation to the Organization through forgiveness of loan in the amount of \$640,000 for purchase of the Property. Accordingly, as at December 31, 2019, the loan principal balance outstanding was reduced from \$1,650,000 to \$1,010,000.

After receiving the additional loan amount of \$150,000 during the year ended December 31, 2020, the loan principal balance outstanding as at December 31, 2020 was \$1,160,000.

5. RELATED PARTY TRANSACTIONS

Transactions between the Organization and the board members are considered to be related party transactions. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

There were no related party transactions during the year.

6. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure at the balance sheet date, December 31, 2020:

Credit Risk

Credit risk is the risk of a loss if counterparty to a financial instrument fails to meet its contractual obligations. The Organization is exposed to credit risk primarily from its cash balances. The Organization manages its risk from cash balances by maintaining its accounts with credit worthy financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with the settlement of its financial liabilities. The Organization is exposed to this risk mainly in respect of its long-term loan and accounts payable and accrued liabilities. The Organization manages its risk by regularly monitoring its cash flow requirements and maintaining sufficient cash on hand to settle obligations as they arise.

Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is not exposed to interest rate risk as it does not have any significant interest-bearing financial instruments.

DANI'S PLACE RESIDENTIAL SUPPORT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

6. FINANCIAL INSTRUMENTS (continued)

Currency Risk

Currency risk is the risk to the Organization's earnings that arise from fluctuations of the exchange rates and the degree of volatility of these rates. The Organization is exposed to the currency exchange risk on its cash balance. As at December 31, 2020, the Organization had cash of \$509 (2019 – \$80) in U.S. dollars. The Organization does not use derivative instruments to reduce its exposure to foreign currency risk.

7. CAPITAL MANAGEMENT

In managing capital, the Organization focuses on liquid resources available for operations. The Organization's objective is to have sufficient liquid resources to continue operating despite adverse financial events. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2020, the Organization has met its objective of having sufficient liquid resources to meet its current obligations.