Covenant House Toronto

Financial statements
June 30, 2025

Shape the future
with confidence

Independent auditor's report

To the Board of Directors of
Covenant House Toronto

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Covenant House Toronto** [the "Organization"], which comprise the statement of financial position as at June 30, 2025, and the statement of operations, statement of changes in net assets and statement of 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 the Organization as at June 30, 2025, 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 Organization 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 the 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
September 18, 2025

Covenant House Toronto

Statement of financial position

As at June 30

	2025	2024
	$	$
Assets		
Current		
Cash and cash equivalents	**5,173,293**	1,289,753
Accounts receivable	**667,040**	827,186
Prepaid expenses	**503,142**	425,654
Total current assets	**6,343,475**	2,542,593
Investments, at fair value *[note 3]*	**55,355,863**	47,204,732
Capital assets, net *[note 4]*	**17,325,705**	14,543,150
	79,025,043	64,290,475
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	**3,144,520**	2,394,575
Deferred revenue	**30,754**	18,450
Deferred contributions *[note 5]*	**5,687,950**	2,649,317
Total current liabilities	**8,863,224**	5,062,342
Deferred capital contributions *[note 6]*	**10,145,888**	7,595,553
Total liabilities	**19,009,112**	12,657,895
Commitments and contingencies *[notes 4[c], 8 and 12]*		
Net assets		
Unrestricted	**13,015,931**	12,632,580
Internally restricted *[note 7]*	**47,000,000**	39,000,000
Total net assets	**60,015,931**	51,632,580
	79,025,043	64,290,475

See accompanying notes

On behalf of the Board:

Jordan Eizenga
Chair, Board of Directors

Mag Stewart
Chair, Finance/Property Committee

Covenant House Toronto

Statement of operations

Year ended June 30

	2025	2024
	$	$
Revenue		
Contributions		
Donations and bequests *[note 5]*	**36,773,568**	34,085,723
Catholic Charities	**555,200**	555,204
Service		
Toronto Hostel Services	**3,520,364**	3,240,098
Other government	**6,567,962**	4,309,232
Investment income	**4,525,558**	3,633,445
Amortization of deferred capital contributions *[note 6]*	**579,665**	564,041
Other	**673,401**	1,634,039
	53,195,718	48,021,782
Expenses *[note 9]*		
Salaries and benefits	**29,935,894**	26,574,058
Postage and printing	**3,661,458**	4,715,086
Purchased services, food and other supplies *[note 10]*	**9,322,300**	7,189,450
Occupancy	**2,209,979**	2,461,063
Amortization of capital assets	**826,210**	807,545
Other	**1,106,526**	1,581,858
	47,062,367	43,329,060
Excess of revenue over expenses for the year	**6,133,351**	4,692,722

See accompanying notes

Covenant House Toronto

Statement of changes in net assets

Year ended June 30

	2025		
	Unrestricted	**Internally restricted**	**Total net assets**
	$	$	$
Balance, beginning of year	**12,632,580**	**39,000,000**	**51,632,580**
Excess of revenue over expenses for the year	**6,133,351**	**—**	**6,133,351**
Contributed land *[notes 4[a] and [d]]*	**2,250,000**	**—**	**2,250,000**
Net transfer to internally restricted net assets *[note 7]*	**(8,000,000)**	**8,000,000**	**—**
Balance, end of year	**13,015,931**	**47,000,000**	**60,015,931**

	2024		
	Unrestricted	**Internally restricted**	**Total net assets**
	$	$	$
Balance, beginning of year	12,239,858	34,700,000	46,939,858
Excess of revenue over expenses for the year	4,692,722	—	4,692,722
Net transfer to internally restricted net assets *[note 7]*	(4,300,000)	4,300,000	—
Balance, end of year	12,632,580	39,000,000	51,632,580

See accompanying notes

Covenant House Toronto

Statement of cash flows

Year ended June 30

	2025	2024
	$	$
Operating activities		
Excess of revenue over expenses for the year	**6,133,351**	4,692,722
Add (deduct) items not involving cash		
Amortization of capital assets	**826,210**	807,545
Amortization of deferred capital contributions	**(579,665)**	(564,041)
	6,379,896	4,936,226
Changes in non-cash working capital balances related to operations		
Accounts receivable	**160,146**	66,538
Prepaid expenses	**(77,488)**	(118,480)
Accounts payable and accrued liabilities	**749,945**	(461,310)
Deferred revenue	**12,304**	(13,513)
Deferred contributions	**3,038,633**	(1,924,162)
Cash provided by operating activities	**10,263,436**	2,485,299
Investing activities		
Purchase of capital assets	**(28,765)**	(245,880)
Net change in investments	**(8,151,131)**	(4,383,819)
Cash used in investing activities	**(8,179,896)**	(4,629,699)
Financing activities		
Contributions received for capital asset purchases	**1,800,000**	104,800
Cash provided by financing activities	**1,800,000**	104,800
Net increase (decrease) in cash and cash equivalents during the year	**3,883,540**	(2,039,600)
Cash and cash equivalents, beginning of year	**1,289,753**	3,329,353
Cash and cash equivalents, end of year	**5,173,293**	1,289,753

See accompanying notes

Covenant House Toronto

Notes to financial statements

June 30, 2025

1. Nature of operations

Covenant House Toronto [the "Organization"] helps youth ignite their potential and reclaim their lives. As Canada's largest organization serving youth who are homeless, trafficked or at risk, the Organization offers the widest range of 24/7 services to about 350 young people every day.

More than a place to stay, the Organization provides life-changing care with unconditional love and respect. The Organization meets youth's immediate needs, and then they work together to achieve their future goals. The Organization offers housing options, health and well-being support, training and skills development, and ongoing care once youth move into the community.

Since 1982, the Organization has supported more than 100,000 young people.

The Organization is incorporated without share capital under the *Corporations Act* (Ontario), is a charitable organization registered under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash and any short-term investments with original maturity dates of 90 days or less. Cash and cash equivalents that are held for investing rather than liquidity purposes are classified within investments.

Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Organization designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All transactions are recorded on a trade date basis.

Other financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on the straight-line basis over their estimated useful lives as follows:

Buildings and building improvements	15–40 years
Furniture and equipment	3–7 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Organization's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Revenue recognition

The Organization follows the deferral method of accounting for contributions, which include grants and donations. Grants and bequests are recognized 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 are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized.

Service revenue is recorded as revenue when the services are provided.

Investment income (loss), which comprises interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded as revenue when earned in the statement of operations.

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 are translated into Canadian dollars at exchange rates in effect as at the date of the statement of financial position. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are recorded in the statement of operations.

Contributed materials and services

Contributed materials and services are not recorded in these financial statements.

3. Investments

Investments, at fair value, consist of the following:

	2025	2024
	$	$
Cash and cash equivalents	**19,980,633**	15,710,430
Units in pooled funds	**35,375,230**	31,494,302
	55,355,863	47,204,732

As at June 30, the units in pooled funds have been allocated to asset classes based on the underlying investments held in these funds as follows:

	2025	2024
	$	$
Canadian Money Market Fund	**852,356**	1,331,547
New Canada Fund	**378,264**	324,434
Balanced Pooled Fund	**19,019,046**	16,771,769
Canadian Bonds Pooled Fund	**8,479,172**	7,362,009
Canadian Equity Pooled Fund	**1,833,468**	1,539,028
US Equity Funds	**1,763,200**	1,753,959
International Equity Pooled Funds	**2,286,693**	1,757,447
Global Small Cap Fund	**763,031**	654,109
	35,375,230	31,494,302

Cash and cash equivalents include amounts held in interest-bearing savings accounts with the bank. Interest is earned at the bank's prime rate less 1.8%, or 3.15% as at June 30, 2025 [2024 – 5.14%].

A significant portion of the Organization's investments has been restricted by the Organization's Board of Directors for various purposes *[note 7].*

4. Capital assets

[a] Capital assets consist of the following:

	2025		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Land *[note 4 [d]]*	**6,045,000**	**—**	**6,045,000**
Buildings and building improvements *[note 4 [d]]*	**25,645,352**	**14,551,018**	**11,094,334**
Furniture and equipment	**4,267,942**	**4,081,571**	**186,371**
	35,958,294	**18,632,589**	**17,325,705**

	2024		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Land	3,795,000	—	3,795,000
Buildings and building improvements	24,315,352	13,791,554	10,523,798
Furniture and equipment	4,239,177	4,014,825	224,352
	32,349,529	17,806,379	14,543,150

[b] The Organization’s primary capital assets are facilities at 20 Gerrard Street, 21 McGill Street and a home purchased in 2018 for a transitional housing program. These facilities are used to provide services to youth.

[c] In prior years, the acquisition, renovation and furnishing costs of the Organization’s facility at 20 Gerrard Street were in part funded by the Province of Ontario and the City of Toronto in the amounts of $5,400,000 and $1,400,000, respectively. The funding of $5,400,000 from the Province of Ontario is secured by a registered agreement constituting a first charge against title to the facility; it is non-interest bearing, with no principal payments due unless the building is sold or there is a change in use without prior agreement. The $1,400,000 advanced by the City of Toronto is secured by a mortgage. The mortgage is non-interest bearing and there are no principal payments due unless the building is sold or there is a change in use without prior agreement. These amounts have not been recorded as liabilities since the Organization is using this property as provided for in the funding agreements.

During 2019, the Organization received $885,000 in funding in the form of a forgivable loan from the City of Toronto towards costs of the aforementioned home purchased for a transitional housing program. This amount is secured by a mortgage, which is non-interest bearing, and there are no principal payments due unless the building is sold or there is a change in use without prior agreement. The mortgage will be reduced at a rate of 5% per year until fully forgiven in 20 years and has not been recorded as a liability since the Organization is using this property as provided for in the funding agreement.

[d] During 2025, the City of Toronto and Toronto Community Housing Corporation transferred title of a house to the Organization. The fair value of the property at the time of transfer was appraised at a total amount of $3,580,000. Of this amount, $2,250,000 was attributed to land and recorded as a direct increase to unrestricted net assets. The remaining amount of $1,330,000 was attributed to the building and recorded as a deferred capital contribution.

5. Deferred contributions

Deferred contributions represent unspent resources externally restricted for specific program costs in future years. The changes in the deferred contributions balance are as follows:

	2025	2024
	$	$
Balance, beginning of year	**2,649,317**	4,573,479
Contributions received during the year	**13,301,162**	7,112,243
Contributions recognized as revenue during the year	**(10,262,529)**	(9,036,405)
Balance, end of year	**5,687,950**	2,649,317

6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital contributions is recognized as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2025	2024
	$	$
Balance, beginning of year	**7,595,553**	8,054,794
Contributions received for capital assets *[note 4[d]]*	**3,130,000**	104,800
Amortization of deferred capital contributions	**(579,665)**	(564,041)
Balance, end of year	**10,145,888**	7,595,553

Deferred capital contributions include $1,800,000 [2024 – nil] of contributions received but not yet used to purchase capital assets *[note 4]*.

Notes to financial statements

June 30, 2025

7. Internally restricted net assets

Internally restricted net assets include the following:

	2025	2024
	$	$
Operating Sustainability Reserve	**27,550,000**	23,300,000
Strategic Initiatives Reserve	**12,450,000**	12,700,000
Capital Reserve	**7,000,000**	3,000,000
	47,000,000	39,000,000

Amounts restricted by the Board of Directors include an Operating Sustainability Reserve that may be accessed in emergency situations, which represents six months of annual operating costs given the Organization is primarily funded by donations, a Strategic Initiatives Reserve to fund strategic initiatives and a Capital Reserve for major capital projects.

During the year, the Board of Directors approved an interfund transfer from unrestricted net assets to internally restricted net assets of $8,000,000 [2024 – $4,300,000].

8. Commitments

The Organization is committed under contracts and operating leases for office equipment expiring in fiscal 2028. The future minimum annual payments are as follows:

	$
2026	100,805
2027	93,353
2028	10,384
	204,542

Notes to financial statements

June 30, 2025

9. Expenses

The expenses incurred during the year by the Organization by program services and other functional areas are as follows:

	2025	2024
	$	$
Program services		
Shelter and crisis care	**12,486,238**	12,504,070
Long-term transitional housing	**11,242,882**	8,657,357
Community support services and outreach [including homelessness initiatives]	**8,088,614**	7,469,927
Public education and prevention programs	**1,226,078**	1,548,830
Health care	**749,911**	855,027
Research and evaluation	**991,646**	775,840
Total program services	**34,785,369**	31,811,051
Fundraising and development	**9,939,372**	9,392,915
Management and administration	**2,337,626**	2,125,094
	47,062,367	43,329,060

10. Related party transactions

Covenant House International is a founding member of the Organization and owns the Covenant House brand.

Effective December 5, 2013, the Organization entered into a three-year agreement with Covenant House International to pay an annual license fee for the use of the Covenant House brand and related program support services provided by Covenant House International. During 2019, an amendment was issued, effective February 13, 2019, increasing the annual license fee to Covenant House International, from $150,000 per the original agreement to $175,000. This agreement was terminated effective July 1, 2025.

Subsequent to year-end, the Organization and Covenant House International entered into a Memorandum of Understanding relating to royalty-free licensing and services, effective from July 1, 2025 to June 30, 2026.

During the year ended June 30, 2025, the Organization expensed amounts paid or payable to Covenant House International totalling $181,895 [2024 – $181,895], which are recorded in purchased services, food and other supplies in the statement of operations. These amounts are primarily attributable to the aforementioned license fee.

Related party transactions are measured at the exchange amount, which is the amount of consideration established by the parties.

As at June 30, 2025, accounts receivable include an amount of $1,349 [2024 – $21,566] due from Covenant House International. The amount is non-interest bearing and due within the next 12 months.

11. Line of credit

The Organization has a $3,000,000 unsecured line of credit with interest payable at the bank's prime rate. As at June 30, 2025 and 2024, no amounts have been drawn against this line of credit.

12. Contingencies

In the normal course of operations, the Organization is subject to claims or potential claims. Management records its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

13. Financial instruments and risk management

The Organization is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Organization is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The Organization manages this risk through a strategic asset mix as set out in the Investment Policy Statement.

Credit risk

The Organization is exposed to credit risk in connection with its accounts receivable and its fixed income securities because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The Organization believes the credit risk is minimal as the accounts receivable are mainly from various levels of government and the fixed income securities are covered through its diversification in its Investment Policy Statement.

Interest rate risk

The Organization is exposed to interest rate risk with respect to its investments in fixed income securities because the fair value will fluctuate due to changes in market interest rates. The Organization manages this risk through a strategic asset mix as set out in the Investment Policy Statement, which is designed to mitigate the risk of interest rate volatility.

Other price risk

The Organization is exposed to other price risk through changes in market prices [other than changes arising from interest rate risk or currency risk] in connection with its investments. The Organization manages other price risk through diversification as set out in its Investment Policy Statement. In addition, assets and markets are monitored regularly.