

Financial statements

**New Circles Community Services**

August 31, 2017



Building a better  
working world

## Independent auditors' report

To the Members of  
**New Circles Community Services**

We have audited the accompanying financial statements of **New Circles Community Services**, which comprise the balance sheet as at August 31, 2017, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility 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.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **New Circles Community Services** as at August 31, 2017, 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.

Toronto, Canada  
January 25, 2017

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



## New Circles Community Services

### Balance sheet

As at August 31

	2017 \$	2016 \$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	222,232	360,229
Short-term investments <i>[note 3]</i>	251,500	150,000
Accounts receivable	26,450	48,864
Prepaid expenses	38,117	19,956
Inventory	26,133	—
<b>Total current assets</b>	<b>564,432</b>	<b>579,049</b>
Capital assets, net <i>[note 4]</i>	84,282	101,532
	<b>648,714</b>	<b>680,581</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	17,405	13,571
Deferred contributions <i>[note 5]</i>	62,446	53,050
<b>Total current liabilities</b>	<b>79,851</b>	<b>66,621</b>
Deferred capital contributions <i>[note 6]</i>	35,661	48,242
Deferred rent	3,667	3,333
<b>Total liabilities</b>	<b>119,179</b>	<b>118,196</b>
Commitments <i>[note 8]</i>		
<b>Net assets</b>		
Unrestricted	279,535	412,385
Internally restricted <i>[note 7]</i>	250,000	150,000
<b>Total net assets</b>	<b>529,525</b>	<b>562,385</b>
	<b>648,714</b>	<b>680,581</b>

See accompanying notes

On behalf of the Board:

Meg Salter, Chair

Sandra Chiu, Treasurer

## New Circles Community Services

### Statement of operations and changes in net assets

Year ended August 31

	2017	2016
	\$	\$
<b>Revenue</b>		
Grants and donations <i>[note 5]</i>	943,407	871,697
Event fees and sponsorships	97,007	94,658
Amortization of deferred capital contributions <i>[note 6]</i>	12,581	13,282
Interest income	2,445	—
	<u>1,055,440</u>	<u>979,637</u>
<b>Expenses</b>		
Salaries and employee benefits	620,656	449,876
Programs and purchases of goods for disbursing	168,103	116,380
Premises	164,811	166,510
General and administrative	46,593	48,095
Professional fees	31,509	30,166
Fundraising	29,089	4,484
Amortization	27,529	27,489
	<u>1,088,290</u>	<u>843,000</u>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>(32,850)</b>	136,637
Unrestricted net assets, beginning of year	412,385	275,748
Transfer to internally restricted net assets <i>[note 7]</i>	<b>(100,000)</b>	—
<b>Unrestricted net assets, end of year</b>	<b><u>279,535</u></b>	<u>412,385</u>

See accompanying notes

## New Circles Community Services

### Statement of cash flows

Year ended August 31

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	(32,850)	136,637
Add (deduct) items not affecting cash		
Amortization	27,529	27,489
Amortization of deferred capital contributions	(12,581)	(13,282)
	(17,902)	150,844
Net change in non-cash working capital balances related to operations	(8,316)	42,621
<b>Cash provided by (used in) operating activities</b>	<b>(26,218)</b>	<b>193,465</b>
<b>Investing activities</b>		
Purchase of short-term investments, net	(101,500)	(150,000)
Purchase of capital assets	(10,279)	(23,135)
<b>Cash used in investing activities</b>	<b>(111,779)</b>	<b>(173,135)</b>
<b>Net increase (decrease) in cash during the year</b>	<b>(137,997)</b>	<b>20,330</b>
Cash and cash equivalents, beginning of year	360,229	339,899
<b>Cash and cash equivalents, end of year</b>	<b>222,232</b>	<b>360,229</b>

See accompanying notes

## New Circles Community Services

### Notes to financial statements

August 31, 2017

#### 1. Formation of New Circles Community Services and nature of operations

Circle of Warmth Community Services was incorporated without share capital on August 18, 2005 under the *Canada Corporations Act*. On July 12, 2007, its name was changed to New Circles Community Services [the "Charity"]. The Charity has continued under the *Canada Not-for-Profit Corporations Act*.

The Charity is a registered charity under the *Income Tax Act (Canada)* and, while registered, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The objective of the Charity is to accept gifts and disburse these gifts to relieve need and poverty by providing clothing, training, job search assistance and counseling services to people living in the Flemingdon Park, Thorncliffe Park, Taylor Massey (Crescent Town) and Victoria Village neighbourhoods of Toronto, Ontario.

#### 2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting, "Accounting Standards for Not-for-Profit Corporations"*, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described below:

##### Revenue recognition

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

##### 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.

##### Inventory

Inventories are measured at the lower of cost and current replacement cost, with cost being determined using the weighted average cost method.

The amount of inventories recognized as expense during the year are recorded in programs and purchases of goods for dispensing.

##### Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives using the declining balance method at the following annual rates:

Furniture and office equipment	20%
Computer equipment	30%

## New Circles Community Services

### Notes to financial statements

August 31, 2017

Leasehold improvements are amortized on a straight-line basis over the term of the premise lease.

#### Contributed materials and services

The Charity benefits from substantial services in the form of volunteer time and donations of materials. Since the value of these donated services and materials cannot be readily determined, they are not recorded in these financial statements.

#### Financial instruments

Financial instruments, including short-term investments, accounts receivable, accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

#### 3. Short-term investments

Short-term investments consist of guaranteed investment certificates ["GICs"] with original maturities of greater than 90 days. As at August 31, 2017, short-term investments consisted of two GICs [2016 – one GIC] for \$151,000 and \$100,000 [2016 – \$150,000] maturing in November 2017 and April 2018 [2016 – November 2016], respectively.

#### 4. Capital assets

Capital assets consist of the following:

	2017	2016
	\$	\$
Computer equipment	71,785	71,785
Leasehold improvements	71,328	66,187
Furniture and office equipment	66,332	61,194
	<u>209,445</u>	199,166
Less accumulated amortization	125,163	97,634
	<u>84,282</u>	101,532

## New Circles Community Services

### Notes to financial statements

August 31, 2017

#### 5. Deferred contributions

Deferred contributions include donations and grants and represent unspent resources externally restricted for program expenses in future years. Changes in the deferred contributions balance are as follows:

	2017 \$	2016 \$
<b>Balance, beginning of year</b>	<b>53,050</b>	24,647
Amounts received during the year	<b>91,090</b>	53,050
Less amounts recognized as revenue during the year	<b>81,694</b>	24,647
<b>Balance, end of year</b>	<b>62,446</b>	53,050

#### 6. Deferred capital contributions

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

	2017 \$	2016 \$
<b>Balance, beginning of year</b>	<b>48,242</b>	61,524
Less amortization of deferred capital contributions	<b>12,581</b>	13,282
<b>Balance, end of year</b>	<b>35,661</b>	48,242

#### 7. Internally restricted net assets

Annually, the Board of Directors determines the amount, if any, to be transferred between unrestricted and internally restricted net assets. During the year, the Board of Directors set aside \$100,000 [2016 – nil] for general contingency purposes.

#### 8. Commitments

The Charity has minimum lease payment obligations under operating leases in each of the next three years as follows:

	\$
2018	102,500
2019	104,167
2020	35,000
	<b>241,667</b>



**New Circles Community Services**

**Notes to financial statements**

August 31, 2017

**9. Comparative financial statements**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2017 financial statements.

