

New Circles Community Services

Financial statements
August 31, 2020



Independent auditor's report

To the Members of
New Circles Community Services

Opinion

We have audited the financial statements of **New Circles Community Services** [the "Charity"], which comprise the statement of financial position as at August 31, 2020, and the statement of operations and 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 Charity as at August 31, 2020, 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 Charity 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 Charity'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 Charity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Charity'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 Charity'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 Charity'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 Charity 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
November 25, 2020

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants



New Circles Community Services

Statement of financial position

As at August 31

	2020	2019
	\$	\$
Assets		
Current		
Cash	664,147	275,123
Short-term investments, amortized cost <i>[note 3]</i>	311,150	305,268
Accounts receivable	204,742	78,559
Prepaid expenses	17,051	13,654
Inventory	9,126	17,507
Total current assets	1,206,216	690,111
Capital assets, net <i>[note 4]</i>	114,525	119,898
	1,320,741	810,009
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	28,912	17,052
Deferred contributions <i>[note 5]</i>	137,498	46,667
Total current liabilities	166,410	63,719
Deferred capital contributions <i>[note 6]</i>	16,692	12,072
Deferred rent	1,333	1,000
Total liabilities	184,435	76,791
Commitments <i>[note 8]</i>		
Net assets		
Unrestricted	836,306	433,218
Internally restricted <i>[note 7]</i>	300,000	300,000
Total net assets	1,136,306	733,218
	1,320,741	810,009

See accompanying notes

On behalf of the Board:

Louis Stratford, Chair

Sandra Chiu, Treasurer

New Circles Community Services

Statement of operations and changes in net assets

Year ended August 31

	2020	2019
	\$	\$
Revenue		
Grants and donations <i>[note 5]</i>	1,553,216	1,149,175
Event fees and sponsorships	38,067	131,794
Amortization of deferred capital contributions <i>[note 6]</i>	8,137	11,570
Interest income	4,814	3,349
	<u>1,604,234</u>	<u>1,295,888</u>
Expenses		
Salaries and employee benefits	753,778	737,692
Programs and purchases of goods for disbursing	130,563	184,520
Premises	171,533	156,817
General and administrative	51,375	56,737
Professional fees	43,606	34,624
Fundraising	9,862	14,340
Amortization	40,429	41,456
	<u>1,201,146</u>	<u>1,226,186</u>
Excess of revenue over expenses for the year	403,088	69,702
Unrestricted net assets, beginning of year	<u>433,218</u>	<u>363,516</u>
Unrestricted net assets, end of year	<u>836,306</u>	<u>433,218</u>

See accompanying notes

New Circles Community Services

Statement of cash flows

Year ended August 31

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	403,088	69,702
Add (deduct) items not affecting cash		
Amortization	40,429	41,456
Amortization of deferred capital contributions	(8,137)	(11,570)
	435,380	99,588
Net change in non-cash working capital balances related to operations	(18,175)	(64,805)
Cash provided by operating activities	417,205	34,783
Investing activities		
Purchase of short-term investments, net	(5,882)	(52,283)
Purchase of capital assets	(35,056)	(17,470)
Cash used in investing activities	(40,938)	(69,753)
Financing activities		
Contributions for capital purchases	12,757	—
Cash provided by financing activities	12,757	—
Net increase (decrease) in cash during the year	389,024	(34,970)
Cash, beginning of year	275,123	310,093
Cash, end of year	664,147	275,123

See accompanying notes

New Circles Community Services

Notes to financial statements

August 31, 2020

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 counselling 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 were prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations," 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.

Inventory

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

The amount of inventory recognized as expense during the year is 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%

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

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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 Charity'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 and changes in net assets. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

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, and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost or amortized cost, net of any provisions for impairment.

Adoption of new accounting standards

During the year, the Charity adopted the new accounting standard *Section 4433, Tangible Capital Assets* ["*Section 4433*"] as of September 1, 2019. *Section 4433* replaces the previous *Section 4431* and provides additional guidance on contributed assets and the write-down [partial impairment] of assets. The adoption of *Section 4433* did not impact these financial statements.

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, 2020, short-term investments consisted of two GICs [2019 – two GICs] for \$102,838 and \$208,312 [2019 – \$203,679 and \$101,589] maturing in November 2020 and May 2021 [2019 – November 2019 and May 2020] and interest rates of \$1.30% and 1.40% [2019 – 1.22% and 1.23%], respectively.

4. Capital assets

Capital assets consist of the following:

	2020	2019
	\$	\$
Computer equipment	137,229	107,408
Leasehold improvements	132,312	132,312
Furniture and office equipment	87,724	82,489
	357,265	322,209
Less accumulated amortization	(242,740)	(202,311)
Net book value	114,525	119,898

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5. Deferred contributions

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

	2020	2019
	\$	\$
Balance, beginning of year	46,667	86,686
Amounts received during the year	359,841	444,278
Amounts recognized as revenue during the year	(269,010)	(484,297)
Balance, end of year	137,498	46,667

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:

	2020	2019
	\$	\$
Balance, beginning of year	12,072	23,642
Additions during the year	12,757	—
Amortization of deferred capital contributions	(8,137)	(11,570)
Balance, end of year	16,692	12,072

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.

8. Commitments

The Charity has minimum lease payment obligations under operating leases as follows:

	\$
2021	107,500
2022	109,167
2023	110,000
2024	111,666
2025	37,500
	475,833

New Circles Community Services

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9. COVID-19 pandemic

In March 2020, the World Health Organization declared the spread of the novel coronavirus disease ["COVID-19"] to be a global pandemic. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus.

Management considered the impact of COVID-19 in its assessment of the Charity's assets and liabilities and its ability to continue as a going concern. Although COVID-19 has had an impact on the Charity's operations, management believes the Charity continues to have sufficient resources to manage the operations through the next year.