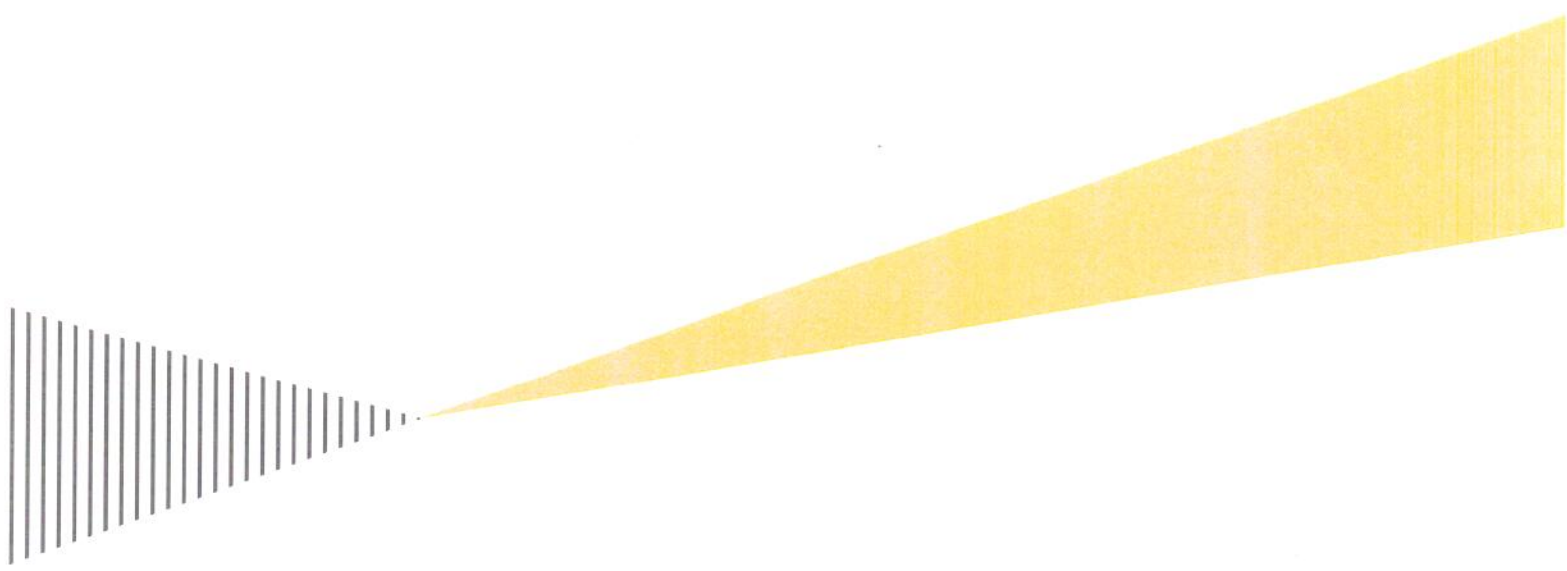


Financial Statements

New Circles Community Services
August 31, 2016



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, 2016, 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.

Basis for qualified opinion

In common with many non-profit organizations, New Circles Community Services derives revenue from various sources, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of revenue was limited to the amounts recorded in the accounts of New Circles Community Services, and we were not able to determine whether any adjustments might be necessary to donations revenue, excess revenue over expenses for the year and unrestricted net assets.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **New Circles Community Services** as at August 31, 2016, 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 26, 2017

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants



New Circles Community Services

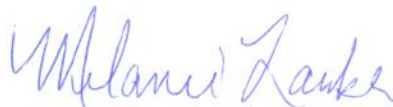
BALANCE SHEET

As at August 31

	2016	2015
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	510,229	339,899
Accounts receivable	48,864	69,375
Prepaid expenses	19,956	12,316
Total current assets	579,049	421,590
Capital assets, net <i>[note 3]</i>	101,532	105,886
	680,581	527,476
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	13,571	14,224
Deferred contributions <i>[note 4]</i>	53,050	24,647
Total current liabilities	66,621	38,871
Deferred capital contributions <i>[note 5]</i>	48,242	61,524
Deferred rent	3,333	1,333
Total liabilities	118,196	101,728
Commitments <i>[note 7]</i>		
Net assets		
Unrestricted	412,385	275,748
Internally restricted <i>[note 6]</i>	150,000	150,000
Total net assets	562,385	425,748
	680,581	527,476

See accompanying notes

On behalf of the Board:



Melanie Lauber, Chair



Sandra Chiu, Treasurer

New Circles Community Services

**STATEMENT OF OPERATIONS AND
CHANGES IN NET ASSETS**

Year ended August 31

	2016	2015
	\$	\$
REVENUE		
Grants and donations <i>[note 4]</i>	871,697	960,364
Event fees and sponsorships	94,658	107,565
Amortization of deferred capital contributions <i>[note 5]</i>	13,282	6,836
	<u>979,637</u>	<u>1,074,765</u>
EXPENSES		
Salaries and employee benefits	449,876	432,661
Premises	166,510	184,468
Programs and purchases of goods for disbursing	116,380	103,415
General and administrative	48,095	27,521
Professional fees	30,166	28,102
Amortization	27,489	19,972
Fundraising	4,484	2,184
	<u>843,000</u>	<u>798,323</u>
Excess of revenue over expenses for the year	136,637	276,442
Unrestricted net assets, beginning of year	275,748	149,306
Transfer to internally restricted net assets <i>[note 6]</i>	—	(150,000)
Unrestricted net assets, end of year	412,385	275,748

See accompanying notes

New Circles Community Services

STATEMENT OF CASH FLOWS

Year ended August 31

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	136,637	276,442
Add (deduct) items not affecting cash		
Amortization	27,489	19,972
Amortization of deferred capital contributions	(13,282)	(6,836)
	<u>150,844</u>	<u>289,578</u>
Net change in non-cash working capital balances related to operations	42,621	(176,208)
Cash provided by operating activities	<u>193,465</u>	<u>113,370</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(23,135)	(73,050)
Deferred capital contributions	—	68,360
Cash used in investing activities	<u>(23,135)</u>	<u>(4,690)</u>
Net increase in cash during the year	<u>170,330</u>	<u>108,680</u>
Cash and cash equivalents, beginning of year	339,899	231,219
Cash and cash equivalents, end of year	<u>510,299</u>	<u>339,899</u>

See accompanying notes

New Circles Community Services

NOTES TO FINANCIAL STATEMENTS

August 31, 2016

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.

New Circles Community Services

NOTES TO FINANCIAL STATEMENTS

August 31, 2016

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.

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.

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 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.

New Circles Community Services

NOTES TO FINANCIAL STATEMENTS

August 31, 2016

3. CAPITAL ASSETS

Capital assets consist of the following:

	2016	2015
	\$	\$
Computer equipment	71,785	59,907
Leasehold improvements	66,187	56,858
Furniture and office equipment	61,194	59,266
	199,166	176,031
Less accumulated amortization	97,634	70,145
	101,532	105,886

4. 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:

	2016	2015
	\$	\$
Balance, beginning of year	24,647	190,955
Amounts received during the year	53,050	—
Less amounts recognized as revenue during the year	24,647	97,948
Less amounts transferred to deferred capital contributions	—	68,360
Balance, end of year	53,050	24,647

New Circles Community Services

NOTES TO FINANCIAL STATEMENTS

August 31, 2016

5. 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:

	2016	2015
	\$	\$
Balance, beginning of year	61,524	—
Amounts transferred from deferred contributions	—	68,360
Less amortization of deferred capital contributions	13,282	6,836
Balance, end of year	48,242	61,524

6. 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 nil [2015 – \$150,000] for general contingency purposes.

7. COMMITMENTS

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

	\$
2017	101,667
2018	102,500
2019	104,167
2020	35,000
	<u>343,334</u>

8. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2016 financial statements.

