

New Circles Community Services

Financial statements

August 31, 2023



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, 2023, 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 Charity as at August 31, 2023, 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.

Ernst & Young LLP

Toronto, Canada
November 29, 2023

Chartered Professional Accountants
Licensed Public Accountants

New Circles Community Services

Statement of financial position

As at August 31

	2023	2022
	\$	\$
Assets		
Current		
Cash	187,456	2,400,679
Short-term investments <i>[note 3]</i>	1,923,667	—
Accounts receivable	143,041	89,970
Prepaid expenses	24,999	29,492
Total current assets	2,279,163	2,520,141
Capital assets, net <i>[note 4]</i>	90,972	83,643
	2,370,135	2,603,784
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	49,643	115,311
Deferred contributions <i>[note 5]</i>	405,321	723,580
Total current liabilities	454,964	838,891
Deferred capital contributions <i>[note 6]</i>	152,597	177,764
Deferred rent	3,167	3,667
Total liabilities	610,728	1,020,322
Commitments <i>[note 8]</i>		
Net assets		
Unrestricted	1,239,407	1,073,462
Internally restricted <i>[note 7]</i>	520,000	510,000
Total net assets	1,759,407	1,583,462
	2,370,135	2,603,784

See accompanying notes

On behalf of the Board of Directors:



Joan Arruda, Chair



Sandra Chiu, Treasurer

New Circles Community Services

Statement of operations

Year ended August 31

	2023	2022
	\$	\$
Revenue		
Grants and donations <i>[note 5]</i>	2,017,012	1,725,459
Event fees and sponsorships	14,097	178,953
Amortization of deferred capital contributions <i>[note 6]</i>	15,682	6,470
Interest income	78,117	4,558
	2,124,908	1,915,440
Expenses		
Salaries and employee benefits	1,035,958	1,042,924
Programs and purchases of goods for disbursing	292,194	362,022
Premises	214,950	192,631
Professional fees	202,149	129,097
Fundraising	93,921	42,190
General and administrative	78,604	72,064
Amortization of capital assets	31,187	28,658
	1,948,963	1,869,586
Excess of revenue over expenses for the year	175,945	45,854

See accompanying notes

New Circles Community Services

Statement of changes in net assets

Year ended August 31

	2023		
	Unrestricted	Internally restricted	Total
	\$	\$	\$
Net assets, beginning of year	1,073,462	510,000	1,583,462
Excess of revenue over expenses for the year	175,945	—	175,945
Transfer to internally restricted net assets <i>[note 7]</i>	(10,000)	10,000	—
Net assets, end of year	1,239,407	520,000	1,759,407

	2022		
	Unrestricted	Internally restricted	Total
	\$	\$	\$
Net assets, beginning of year	1,237,608	300,000	1,537,608
Excess of revenue over expenses for the year	45,854	—	45,854
Transfer to internally restricted net assets <i>[note 7]</i>	(210,000)	210,000	—
Net assets, end of year	1,073,462	510,000	1,583,462

See accompanying notes

New Circles Community Services

Statement of cash flows

Year ended August 31

	2023	2022
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	175,945	45,854
Add (deduct) items not involving cash		
Accrued interest income	(48,667)	—
Amortization of capital assets	31,187	28,658
Amortization of deferred capital contributions	(15,682)	(6,470)
	<u>142,783</u>	<u>68,042</u>
Net change in non-cash working capital balances related to operations	(506,005)	575,173
Cash provided by (used in) operating activities	<u>(363,222)</u>	<u>643,215</u>
Investing activities		
Purchase of short-term investments	(1,875,000)	—
Purchase of capital assets	(38,516)	(17,186)
Cash used in investing activities	<u>(1,913,516)</u>	<u>(17,186)</u>
Financing activities		
Contributions for purchases of capital assets	63,515	163,304
Cash provided by financing activities	<u>63,515</u>	<u>163,304</u>
Net increase (decrease) in cash during the year	(2,213,223)	789,333
Cash, beginning of year	<u>2,400,679</u>	<u>1,611,346</u>
Cash, end of year	<u>187,456</u>	<u>2,400,679</u>

See accompanying notes

New Circles Community Services

Notes to financial statements

August 31, 2023

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 other settlement services to individuals in need, with particular emphasis on newcomers to Canada residing in the Greater Toronto Area.

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 sets out 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.

Capital assets

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

Computer equipment	30%
Furniture and office equipment	20%

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

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. 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.

New Circles Community Services

Notes to financial statements

August 31, 2023

Financial instruments

Investments consist of guaranteed investment certificates, initially recorded at fair value plus transaction costs and subsequently measured at amortized cost using the straight-line method less any provision for impairment.

Other financial instruments, including 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.

3. Short-term investments

As at August 31, 2023, short-term investments consist of redeemable guaranteed investment certificates that earn interest at 5.13% and mature between January 25, 2024 and April 19, 2024.

4. Capital assets

Capital assets consist of the following:

	2023	2022
	\$	\$
Computer equipment	184,332	162,979
Leasehold improvements	76,168	60,984
Furniture and office equipment	92,226	90,247
	<u>352,726</u>	<u>314,210</u>
Less accumulated amortization	261,754	230,567
Net book value	<u>90,972</u>	<u>83,643</u>

During 2022, the Charity wrote off fully amortized leasehold improvements of \$71,328. There were no write-offs in 2023.

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:

	2023	2022
	\$	\$
Deferred contributions, beginning of year	723,580	156,663
Amounts received during the year	828,234	962,484
Amounts transferred from deferred capital contributions	73,000	—
Less amounts recognized as revenue during the year	<u>(1,219,493)</u>	<u>(395,567)</u>
Deferred contributions, end of year	<u>405,321</u>	<u>723,580</u>

New Circles Community Services

Notes to financial statements

August 31, 2023

6. Deferred capital contributions

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

	2023 \$	2022 \$
Deferred capital contributions, beginning of year	177,764	20,930
Additions during the year	63,515	163,304
Transferred to deferred contributions	(73,000)	—
Amortization of deferred capital contributions	(15,682)	(6,470)
Deferred capital contributions, end of year	152,597	177,764

Included in deferred capital contributions are unspent funds of \$119,500 [2022 – \$158,000].

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. As at August 31, 2023, \$520,000 [2022 – \$510,000] of internally restricted net assets is dedicated to specific needs, including future capital expansion and emergency funds.

8. Commitments

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

	\$
2024	132,029
2025	281,850
2026	244,350
2027	264,713
2028	293,220
Thereafter	1,857,060
	<u>3,073,222</u>