

New Circles Community Services

Financial statements

August 31, 2022



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, 2022, 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, 2022, 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 30, 2022

Chartered Professional Accountants
Licensed Public Accountants



New Circles Community Services

Statement of financial position

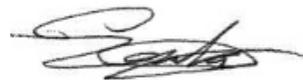
As at August 31

	2022	2021
	\$	\$
Assets		
Current		
Cash	2,400,679	1,611,346
Accounts receivable	89,970	39,352
Prepaid expenses	29,492	25,033
Total current assets	2,520,141	1,675,731
Capital assets, net <i>[note 3]</i>	83,643	95,115
	2,603,784	1,770,846
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	115,311	52,312
Deferred contributions <i>[note 4]</i>	723,580	156,663
Total current liabilities	838,891	208,975
Deferred capital contributions <i>[note 5]</i>	177,764	20,930
Deferred rent	3,667	3,333
Total liabilities	1,020,322	233,238
Commitments <i>[note 7]</i>		
Net assets		
Unrestricted	1,073,462	1,237,608
Internally restricted <i>[note 6]</i>	510,000	300,000
Total net assets	1,583,462	1,537,608
	2,603,784	1,770,846

See accompanying notes

On behalf of the Board:


Joan Arruda, Chair



Sandra Chiu, Treasurer

New Circles Community Services

Statement of operations and changes in net assets

Year ended August 31

	2022	2021
	\$	\$
Revenue		
Grants and donations <i>[note 4]</i>	1,725,459	1,692,295
Event fees and sponsorships	178,953	15,949
Amortization of deferred capital contributions <i>[note 5]</i>	6,470	5,749
Interest income	4,558	2,200
	<u>1,915,440</u>	<u>1,716,193</u>
Expenses		
Salaries and employee benefits	1,042,924	847,930
Programs and purchases of goods for disbursing	362,022	166,384
Premises	192,631	177,764
Professional fees	129,097	45,394
General and administrative	72,064	41,138
Fundraising	42,190	5,784
Amortization	28,658	30,497
	<u>1,869,586</u>	<u>1,314,891</u>
Excess of revenue over expenses for the year	45,854	401,302
Unrestricted net assets, beginning of year	1,237,608	836,306
Transfer to internally restricted net assets <i>[note 6]</i>	(210,000)	—
Unrestricted net assets, end of year	<u>1,073,462</u>	<u>1,237,608</u>

See accompanying notes

New Circles Community Services

Statement of cash flows

Year ended August 31

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	45,854	401,302
Add (deduct) items not affecting cash		
Amortization	28,658	30,497
Amortization of deferred capital contributions	(6,470)	(5,749)
	68,042	426,050
Net change in non-cash working capital balances related to operations	575,173	211,099
Cash provided by operating activities	643,215	637,149
Investing activities		
Proceeds from (purchase of) short-term investments, net	—	311,150
Purchase of capital assets	(17,186)	(11,087)
Cash provided by (used in) investing activities	(17,186)	300,063
Financing activities		
Contributions for purchases of capital assets	163,304	9,987
Cash provided by financing activities	163,304	9,987
Net increase in cash during the year	789,333	947,199
Cash, beginning of year	1,611,346	664,147
Cash, end of year	2,400,679	1,611,346

See accompanying notes

New Circles Community Services

Notes to financial statements

August 31, 2022

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], Victoria Village, Heron Park, Cedar Ridge and Keelesdate West 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 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

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.

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.

New Circles Community Services

Notes to financial statements

August 31, 2022

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 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. Capital assets

Capital assets consist of the following:

	2022	2021
	\$	\$
Computer equipment	162,979	148,316
Leasehold improvements	60,984	132,312
Furniture and office equipment	90,247	87,724
	<u>314,210</u>	<u>368,352</u>
Less accumulated amortization	(230,567)	(273,237)
Net book value	<u>83,643</u>	<u>95,115</u>

During the year, the Charity wrote off fully amortized leasehold improvements of \$71,328 [2021 – nil].

4. 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:

	2022	2021
	\$	\$
Deferred contributions, beginning of year	156,663	137,498
Amounts received during the year	962,484	560,336
Less amounts recognized as revenue during the year	(395,567)	(541,171)
Deferred contributions, end of year	<u>723,580</u>	<u>156,663</u>

New Circles Community Services

Notes to financial statements

August 31, 2022

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:

	2022	2021
	\$	\$
Deferred capital contributions, beginning of year	20,930	16,692
Additions during the year	163,304	9,987
Less amortization of deferred capital contributions	(6,470)	(5,749)
Deferred capital contributions, end of year	177,764	20,930

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

7. Commitments

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

	\$
2023	110,000
2024	111,667
2025	37,500
	<u>259,167</u>