

New Circles Community Services

Financial statements
August 31, 2018



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, 2018, 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, 2018, 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
November 29, 2018

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



New Circles Community Services

Balance sheet

As at August 31

	2018 \$	2017 \$
Assets		
Current		
Cash	310,093	222,232
Short-term investments <i>[note 3]</i>	252,985	251,500
Accounts receivable	47,527	26,450
Prepaid expenses	12,705	38,117
Inventory	35,471	26,133
Total current assets	658,781	564,432
Capital assets, net <i>[note 4]</i>	143,884	84,282
	802,665	648,714
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	25,654	17,405
Deferred contributions <i>[note 5]</i>	86,686	62,446
Total current liabilities	112,340	79,851
Deferred capital contributions <i>[note 6]</i>	23,642	35,661
Deferred rent	3,167	3,667
Total liabilities	139,149	119,179
Commitments <i>[note 8]</i>		
Net assets		
Unrestricted	363,516	279,535
Internally restricted <i>[note 7]</i>	300,000	250,000
Total net assets	663,516	529,535
	802,665	648,714

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

	2018	2017
	\$	\$
Revenue		
Grants and donations <i>[note 5]</i>	1,120,234	943,407
Event fees and sponsorships	114,752	97,007
Amortization of deferred capital contributions <i>[note 6]</i>	12,019	12,581
Interest income	1,962	2,445
	<u>1,248,967</u>	<u>1,055,440</u>
Expenses		
Salaries and employee benefits	652,421	620,656
Premises	159,604	168,103
Programs and purchases of goods for disbursing	156,356	164,811
General and administrative	46,638	31,509
Professional fees	33,198	46,593
Fundraising	31,077	29,089
Amortization	35,692	27,529
	<u>1,114,986</u>	<u>1,088,290</u>
Excess (deficiency) of revenue over expenses for the year	133,981	(32,850)
Unrestricted net assets, beginning of year	279,535	412,385
Transfer to internally restricted net assets <i>[note 7]</i>	(50,000)	(100,000)
Unrestricted net assets, end of year	<u>363,516</u>	<u>279,535</u>

See accompanying notes

New Circles Community Services

Statement of cash flows

Year ended August 31

	2018	2017
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	133,981	(32,850)
Add (deduct) items not affecting cash		
Amortization	35,692	27,529
Amortization of deferred capital contributions	(12,019)	(12,581)
	<u>157,654</u>	<u>(17,902)</u>
Net change in non-cash working capital balances related to operations	26,986	(8,316)
Cash provided by (used in) operating activities	<u>184,640</u>	<u>(26,218)</u>
Investing activities		
Purchase of short-term investments, net	(1,485)	(101,500)
Purchase of capital assets	(95,294)	(10,279)
Cash used in investing activities	<u>(96,779)</u>	<u>(111,779)</u>
Net increase (decrease) in cash during the year	87,861	(137,997)
Cash, beginning of year	222,232	360,229
Cash, end of year	<u>310,093</u>	<u>222,232</u>

See accompanying notes

New Circles Community Services

Notes to financial statements

August 31, 2018

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.

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.

New Circles Community Services

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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, 2018, short-term investments consisted of two GICs [2017 – two GICs] for \$152,395 and \$100,590 [2017 – \$151,500 and \$100,000, respectively] maturing in November 2018 and May 2019 [2017 – November 2017 and April 2018], respectively.

4. Capital assets

Capital assets consist of the following:

	2018 \$	2017 \$
Computer equipment	100,397	71,785
Leasehold improvements	132,312	71,328
Furniture and office equipment	72,030	66,332
	<u>304,739</u>	<u>209,445</u>
Less accumulated amortization	(160,855)	(125,163)
	<u>143,884</u>	<u>84,282</u>

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:

	2018 \$	2017 \$
Balance, beginning of year	62,446	53,050
Amounts received during the year	400,831	407,486
Less amounts recognized as revenue during the year	(376,591)	(398,090)
Balance, end of year	86,686	62,446

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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:

	2018 \$	2017 \$
Balance, beginning of year	35,661	48,242
Less amortization of deferred capital contributions	(12,019)	(12,581)
Balance, end of year	23,642	35,661

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 \$50,000 [2017 – \$100,000] for general contingency purposes.

8. Commitments

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

	\$
2019	104,167
2020	106,667
2021	107,500
2022	109,167
2023	110,000
Thereafter	149,166
	686,667

9. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 financial statements.