

JUL 25 2019

Community Development Halton

Financial Statements

March 31, 2019



July 9, 2019

Independent Auditor's Report

To the Directors of Community Development Halton

Qualified Opinion

We have audited the financial statements of Community Development Halton (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Community Development Halton as at March 31, 2019, 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 Qualified Opinion

In common with many not-for-profit organizations, Community Development Halton derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Community Development Halton. Therefore, we were not able to determine whether any adjustments might be necessary to revenues and deficiency of revenues over expenses reported in the statement of operations, and current assets and net assets reported in the statement of financial position.

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 Organization 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 qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements which indicates that Community Development Halton has experienced a deficiency of revenues over expenses in the current and prior years and has a projected shortfall of funding to support its current operations and liabilities. These conditions, along with other matters as set forth in Note 1 in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Community Development Halton's ability to continue as a going concern.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.



Independent Auditor's Report, continued

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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Organization 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.

Pettinelli Mastrolucisi LLP

**Chartered Accountants
Licensed Public Accountants**

Hamilton, Ontario

Community Development Halton

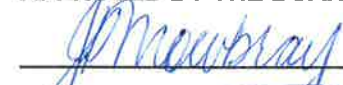
Statement of Financial Position

	March 31	
	2019	2018
Assets		
Current assets		
Cash	\$ 93,942	\$ 81,170
Accounts receivable	21,062	36,105
Prepaid expenses	4,794	4,794
	<u>119,798</u>	<u>122,069</u>
Restricted cash and short-term investments		
Stabilization reserve fund	-	55,000
Funded projects	22,388	52,644
	<u>22,388</u>	<u>107,644</u>
Furniture, fixtures and equipment (Note 3)	9,215	16,645
	<u>\$ 151,401</u>	<u>\$ 246,358</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 28,848	\$ 30,299
Deferred contributions (Note 5)	93,488	114,943
	<u>122,336</u>	<u>145,242</u>
Net Assets		
Operating fund - unrestricted	29,065	46,116
Stabilization reserve fund - internally restricted	-	55,000
	<u>29,065</u>	<u>101,116</u>
	<u>\$ 151,401</u>	<u>\$ 246,358</u>


Lease commitments (Note 6)

See accompanying notes to financial statements.

APPROVED BY THE BOARD:



Director



Director

Community Development Halton

Statement of Changes in Net Assets

	Year ended March 31, 2019			Year ended March 31, 2018		
	Operating Fund	Stabilization Reserve Fund	Total	Operating Fund	Stabilization Reserve Fund	Total
Net assets at beginning of the year	\$ 46,116	\$ 55,000	\$ 101,116	\$ 61,735	\$ 55,000	\$ 116,735
Deficiency of revenues over expenses from operations	(72,051)	-	(72,051)	(15,619)	-	(15,619)
Interfund transfer (Note 7)	<u>55,000</u>	<u>(55,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of the year	<u>\$ 29,065</u>	<u>\$ -</u>	<u>\$ 29,065</u>	<u>\$ 46,116</u>	<u>\$ 55,000</u>	<u>\$ 101,116</u>

See accompanying notes to financial statements.

Community Development Halton

Statement of Operations

	Year ended March 31, 2019			Year ended March 31, 2018		
	Core Operations	Funded Projects	Total	Core Operations	Funded Projects	Total
Revenues						
Regional Municipality of Halton	\$ 240,000	\$ -	\$ 240,000	\$ 240,000	\$ -	\$ 240,000
United Way of Halton & Hamilton	155,119	-	155,119	67,470	-	67,470
Ontario Trillium Foundation	-	150,739	150,739	-	240,399	240,399
Project management and administration	54,724	-	54,724	99,600	-	99,600
Donations	28,192	7,900	36,092	46,850	51,168	98,018
Other income	20,162	-	20,162	16,033	-	16,033
Workshops	10,934	-	10,934	3,895	-	3,895
Government of Canada	-	3,769	3,769	-	5,868	5,868
City of Burlington	-	-	-	-	101,649	101,649
United Way of Oakville	-	-	-	87,649	-	87,649
Ministry of Tourism, Culture and Sport	-	-	-	-	80,631	80,631
Ministry of Citizenship and Immigration	-	-	-	-	8,507	8,507
	<u>509,131</u>	<u>162,408</u>	<u>671,539</u>	<u>561,497</u>	<u>488,222</u>	<u>1,049,719</u>
Expenses						
Salaries and benefits	364,900	76,772	441,672	338,039	129,480	467,519
Subcontractors	77,697	5,766	83,463	83,418	222,241	305,659
Office and general	43,607	28,692	72,299	48,856	21,374	70,230
Occupancy	55,440	-	55,440	54,182	-	54,182
Administration	-	31,252	31,252	-	52,248	52,248
Travel, meetings and development	11,018	10,258	21,276	23,134	16,093	39,227
Amortization	9,560	-	9,560	9,028	-	9,028
Professional fees	8,359	-	8,359	8,550	-	8,550
Equipment lease and maintenance	6,581	-	6,581	7,007	-	7,007
Supplies	-	5,338	5,338	-	35,920	35,920
Insurance	4,020	-	4,020	3,920	-	3,920
Conferences	-	3,406	3,406	-	5,741	5,741
Promotion and publicity	-	924	924	982	5,125	6,107
	<u>581,182</u>	<u>162,408</u>	<u>743,590</u>	<u>577,116</u>	<u>488,222</u>	<u>1,065,338</u>
Deficiency of revenues over expenses from operations	<u>\$ (72,051)</u>	<u>\$ -</u>	<u>\$ (72,051)</u>	<u>\$ (15,619)</u>	<u>\$ -</u>	<u>\$ (15,619)</u>

See accompanying notes to financial statements.

Community Development Halton

Statement of Cash Flows

	Year ended March 31	
	2019	2018
Operating activities		
Cash from operations was derived (used) as follows		
Deficiency of revenues over expenses for the year	\$ (72,051)	\$ (15,619)
Items not affecting cash		
Amortization	9,560	9,028
Deferred contributions recognized as revenue	<u>(166,144)</u>	<u>(738,222)</u>
	<u>(228,635)</u>	<u>(744,813)</u>
Net change in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	15,043	(17,600)
Decrease in accounts payable and accrued liabilities	<u>(1,451)</u>	<u>(4,662)</u>
	<u>13,592</u>	<u>(22,262)</u>
	(215,043)	(767,075)
Financing activities		
Deferred contributions received related to expenses of future periods	144,689	655,051
Investing activities		
Purchase of furniture, fixtures and equipment	<u>(2,130)</u>	<u>(1,598)</u>
Net decrease in cash during the year	(72,484)	(113,622)
Cash and short-term investments at beginning of the year	<u>188,814</u>	<u>302,436</u>
Cash and short-term investments at end of the year	<u>\$ 116,330</u>	<u>\$ 188,814</u>
Cash and short-term investments comprises:		
Unrestricted cash	\$ 93,942	\$ 81,170
Internally restricted cash - stabilization reserve fund	-	55,000
Externally restricted cash - funded projects	<u>22,388</u>	<u>52,644</u>
	<u>\$ 116,330</u>	<u>\$ 188,814</u>

See accompany notes to financial statements.

Community Development Halton

Notes to Financial Statements

March 31, 2019

Nature of Organization

Community Development Halton (the "Organization") was incorporated on January 23, 1984 as a not-for-profit organization that is committed to social development as a desired state of community well-being and social change as a continual process towards achieving and sustaining social development for all members of the Halton community.

The Organization was incorporated without share capital under the laws of Ontario and is a registered charity and exempt from income tax under the Canadian Income Tax Act.

1. Going concern

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Organization be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

In recent years, the Organization has consistently experienced a deficiency of revenues over expenses. In addition, management is projecting a shortfall in future funding which may jeopardize the Organization's ability to support its current level of operations and settle its liabilities.

The Organization sustained a deficiency of revenues over expenses of \$72,051 in its most recent fiscal year ended March 31, 2019 and a cumulative deficiency of \$107,040 over the past three fiscal years. As a result, it was necessary for the Board of Directors to approve the transfer of all \$55,000 held by the Stabilization Reserve Fund to the Operating Fund in fiscal 2019. Consequently, no funds remain in the Stabilization Reserve Fund to support future deficiencies of revenues over expenses.

Given the magnitude of the deficiency of revenues over expenses sustained in the most recently ended fiscal year in relation to the Organization's net assets, further shortfalls in revenue in the current fiscal year would likely result in the Organization being unable to continue as a going concern.

The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the Organization be unable to continue its operations.

2. Significant accounting policies

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

Cash

Cash consists of cash on hand and balances with financial institutions, net of outstanding cheques. Short-term investments consist of guaranteed investment certificates (GIC's) with maturity dates of less than three months.

The balance of GIC's on hand as of March 31, 2019 was \$Nil (2018 - \$60,869).

Community Development Halton

Notes to Financial Statements

March 31, 2019

2. Significant accounting policies, continued

Furniture, fixtures and equipment

Furniture, fixtures and equipment are recorded at cost. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the furniture, fixtures and equipment over their estimated useful lives. The annual amortization rates are as follows:

Furniture, fixtures and equipment	5 years
Leasehold improvements	5 years
Computer equipment	4 years

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Under this method, unrestricted contributions are recognized as operating fund revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization receives grants and restricted donations which are designated for certain purposes. Restricted contributions are reflected in the statement of operations equal to the lesser of the amount of expenses incurred and the amount of funding received.

Net investment income which is not externally restricted is recognized as income of the operating fund when earned.

Deferred contributions

The Organization receives funds for projects which are designated for certain purposes. If a project is not complete at the end of a year, revenue is reflected in the statement of operations equal to the lesser of the amount of expenses incurred and the amount of funding received.

In accordance with the terms of certain projects, any surplus funds remaining upon completion of a project may be required to be repaid to the donor. Otherwise, any excess or deficiency of funds is reflected in the statement of operations in the year in which the project is completed.

Donated services

The work of the Organization is dependent on the voluntary service of many individuals. Since these services are not normally purchased by the Organization and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

Community Development Halton

Notes to Financial Statements

March 31, 2019

2. Significant accounting policies, continued

Fund accounting

The Organization utilizes fund accounting and has established the following funds:

(i) Operating fund

Revenues and expenses related to the day-to-day activities of the Organization are reported in the Operating fund.

(ii) Stabilization reserve fund

In fiscal 2010, the Organization approved the creation of an internally restricted stabilization reserve fund which is maintained to provide for future financial stability.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in deficiency of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deferred contributions.

The Organization has not designated any financial asset or financial liability to be measured at fair value.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in deficiency of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in deficiency of revenues over expenses.

Community Development Halton

Notes to Financial Statements

March 31, 2019

2. Significant accounting policies, continued

Financial instruments, continued

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

3. Furniture, fixtures and equipment

			March 31	
	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Furniture, fixtures and equipment	\$ 31,515	\$ 27,983	\$ 3,532	\$ 9,835
Leasehold improvements	9,353	5,613	3,740	5,611
Computer equipment	<u>5,545</u>	<u>3,602</u>	<u>1,943</u>	<u>1,199</u>
	<u>\$ 46,413</u>	<u>\$ 37,198</u>	<u>\$ 9,215</u>	<u>\$ 16,645</u>

4. Accounts payable and accrued liabilities

Government remittances consist of amounts required to be paid to government authorities and are recognized when the amounts become due. Accounts payable and accrued liabilities include payroll remittances of \$9,235 (2018 - \$9,110).

5. Deferred contributions

Deferred contributions represent unspent funding at the year-end date. Changes in the balances of deferred contributions are as follows:

	March 31	
	2019	2018
Balance at beginning of the year	\$ 114,943	\$ 198,114
Amounts received during the year	144,689	655,051
Amounts recognized as revenue during the year	<u>(166,144)</u>	<u>(738,222)</u>
Balance at end of the year	<u>\$ 93,488</u>	<u>\$ 114,943</u>

Community Development Halton

Notes to Financial Statements

March 31, 2019

5. Deferred contributions, continued

The balance of deferred contributions at the end of the year is comprised of the following:

	March 31	
	2019	2018
Regional Municipality of Halton	\$ 60,000	\$ 60,000
NHS Project	25,000	-
BAFSC Project	6,173	12,960
Halton Nonprofit Initiatives Fund	2,075	7,653
Advancement of Women in Halton	156	156
Youth In Action Conference	84	1,000
Resiliency 4 Recovery	-	18,942
Organizational Capacity Fund	-	7,380
North BurLINKton Youth Grant	-	6,852
	<u>\$ 93,488</u>	<u>\$ 114,943</u>

6. Lease commitments

The Organization's approximate total commitments, under various operating leases and a property lease agreement, exclusive of occupancy costs, are as follows:

2020	\$ 54,000
2021	55,000
2022	55,000
2023	<u>23,000</u>
	<u>\$ 187,000</u>

7. Stabilization Reserve Fund

During the current fiscal year, the Board of Directors approved a transfer of \$55,000 (2018 - \$Nil) from the stabilization reserve fund to the operating fund.

8. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. It is management's opinion that the Organization is not exposed to significant credit, liquidity, foreign exchange, interest or concentration risk.