Audited Financial Statements of

# WESTON KING NEIGHBOURHOOD CENTRE

Year ended December 31, 2014

## Independent Auditor's Report

To the Directors

We have audited the accompanying financial statements of Weston King Neighbourhood Centre, which comprise the statement of financial position as at December 31, 2014, and the statements of revenue and expenses, changes in fund balances 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.

*Auditor's 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 auditor's 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 auditor considers 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 audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Weston King Neighbourhood Centre as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

*Other Matter*

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year. The 2013 financial statements were audited by another chartered accountant, who expressed an unqualified opinion thereon.

Thornhill, Canada
/DATE

BFC LLP
Licensed Public Accountants

## WESTON KING NEIGHBOURHOOD CENTRE

### STATEMENT OF FINANCIAL POSITION

December 31, 2014, with comparative figures for 2013

| | 2014 | 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | $ 359,248 | $ 116,072 |
| Short-term Investments | 12,786 | 12,648 |
| Accounts receivable | 4,893 | 3,733 |
| | 376,927 | 132,453 |
| **Capital assets** (note 2) | 44,522 | - |
| | $ 421,449 | $ 132,453 |
| **LIABILITIES AND FUND BALANCES** | | |
| **Current liabilities** | | |
| Accounts payable | $ 1,598 | $ - |
| Deferred revenue (note 3) | 228,966 | - |
| | 230,564 | - |
| **Fund balances** | | |
| Mount Dennis United Church - unrestricted | $ 62,263 | 50,474 |
| City of Toronto, drop in services - restricted | - | - |
| City of Toronto, housing Support - restricted | 10,314 | - |
| Ontario Trillium Fund - restricted | 17,280 | 27,317 |
| City of Toronto - Health & Safety - restricted | (1,303) | |
| CAIF - restricted | 5,192 | - |
| Capital Fund - restricted | 44,522 | - |
| Provincial - Youth employment subsidy - restricted | - | |
| Operating Fund - restricted | 12,786 | 12,648 |
| - unrestricted | 39,831 | 42,014 |
| **Total Funds** | 190,885 | 132,453 |
| Commitment (note 4) | | |
| | $ 421,449 | $ 132,453 |

On behalf of the Board:

Director

Director

See accompanying schedules and notes to financial statements.

## WESTON KING NEIGHBOURHOOD CENTRE

### STATEMENT OF REVENUE AND EXPENSES

Year ended December 31, 2014 with comparative figures for 2013

| | 2014 | 2013 |
|---|---|---|
| **Revenue** | | |
| Grants | $ 288,598 | $ 260,409 |
| Mount Dennis United Church | 160,748 | 60,553 |
| Donations | 21,450 | 24,698 |
| Miscellaneous income | 724 | 1,009 |
| | 471,520 | 346,669 |
| **Expenses** | | |
| Salary and benefits | 292,338 | 213,149 |
| Program costs | 51,464 | 33,604 |
| Rent | 39,002 | 21,577 |
| Professional fees | 11,936 | 3,101 |
| Utilities and telecommunication | 9,279 | 1,160 |
| Administrative expenses | 6,189 | 11,746 |
| Caretaker | 2,880 | 2,880 |
| | 413,088 | 287,217 |
| **Excess of revenue over expenses** | $ 58,432 | $ 59,452 |

See accompanying schedules and notes to financial statements.

## WESTON KING NEIGHBOURHOOD CENTRE

### STATEMENT OF CASH FLOWS

Year ended December 31, 2014 with comparative figures for 2013

| | 2014 | 2013 |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operations** | | |
| Excess of revenue over expenses | $ 58,432 | $ 59,452 |
| Items not involving outlay of cash | | |
| Accounts receivable | (1,160) | (3,733) |
| Accounts payable and accrued liabilities | 1,598 | - |
| Deferred income | 228,966 | - |
| | 287,836 | 55,719 |
| **Financing activities** | | |
| Increase in short term investments | (138) | (108) |
| **Investing activities** | | |
| Purchases of capital assets | (44,522) | |
| **Increase in cash** | 243,176 | 55,611 |
| Cash, beginning of year | 116,072 | 60,461 |
| **Cash, end of year** | $ 359,248 | $ 116,072 |

See accompanying schedules and notes to financial statements.

## WESTON KING NEIGHBOURHOOD CENTRE

### SCHEDULE OF CHANGES IN FUND BALANCES
(Allocation of funds unaudited)

Year ended December 31, 2014

| | City of Toronto Drop in services | City of Toronto Housing Support | City of Toronto Health & Safety | Investing in Neighbourhoods | Trillium | Youth employment | Mount Dennis | Foundations | Operating fund | Restricted | Unrestricted | Capital Fund | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | $ 146,665 | $ 17,200 | $ 14,950 | $ 6,294 | $ 27,500 | $ 14,385 | $ 160,748 | $ 10,000 | $ 73,778 | | | $ - | $ 471,520 |
| **Expenses** | | | | | | | | | | | | | |
| **Salary** | | | | | | | | | | | | | |
| Management | - | - | - | - | 37,537 | - | 10,000 | - | - | | | - | 47,537 |
| Administrative | - | - | - | - | - | 7,429 | 6,000 | - | - | | | - | 13,429 |
| **Program costs** | | | | | | | | | | | | | 156,031 |
| Core program cost | 94,056 | 5,493 | - | 6,294 | - | - | 50,188 | - | - | | | | 64,087 |
| Food security | 6,972 | - | - | - | - | 5,350 | 12,938 | - | 38,827 | | | | 36,278 |
| Program support staff | 11,562 | 200 | - | - | - | 6,600 | 1,647 | 2,808 | 13,461 | | | | 10,373 |
| Drop-in supplies | 4,565 | 350 | - | - | - | - | 2,708 | 500 | 2,250 | | | | 7,623 |
| Kitchen supplies | 3,277 | - | - | - | - | - | 2,846 | 1,500 | - | | | | 7,755 |
| Garden supplies | - | - | - | - | - | - | 4,755 | - | 3,000 | | | | 3,017 |
| Staff travel | - | 13 | - | - | - | - | 3,004 | - | - | | | | 3,956 |
| Office supplies | 1,364 | - | - | - | - | - | 2,592 | - | - | | | | 765 |
| Membership dues | 765 | - | - | - | - | - | - | - | - | | | | 642 |
| Education | 200 | - | - | - | - | - | 387 | - | 55 | | | | |
| | - | - | - | - | - | - | - | - | - | | | | |
| **Operating costs** | - | - | - | - | - | - | - | - | - | | | | 20,550 |
| Rent | 20,550 | - | - | - | - | - | - | - | - | | | | 18,000 |
| Kitchen renovation | - | - | - | - | - | - | 18,000 | - | - | | | | 2,880 |
| Caretaker | - | - | - | - | - | - | - | - | 2,880 | | | | 452 |
| Repairs and maintenance | - | - | - | - | - | - | - | - | 452 | | | | 10,564 |
| Utilities | 3,354 | 330 | - | - | - | - | - | - | 6,880 | | | | 594 |
| | - | - | - | - | - | - | 594 | - | - | | | | |
| **Administrative costs** | - | - | - | - | - | - | - | - | - | | | | 872 |
| Professional fees | - | - | - | - | - | - | - | - | 872 | | | | 2,417 |
| Audit | - | 250 | - | - | - | - | 2,167 | - | - | | | | 2,272 |
| Insurance | - | - | - | - | - | - | 2,272 | - | - | | | | 1,986 |
| Office Supplies | - | 250 | - | - | - | - | 592 | - | 1,144 | | | | 222 |
| Fundraising | - | - | - | - | - | - | - | - | 222 | | | | 395 |
| Photocopying | - | - | - | - | - | - | - | - | 395 | | | | 183 |
| Bank charges | - | - | - | - | - | - | - | - | 183 | | | | 208 |
| Miscellaneous | - | - | - | - | - | - | - | - | 208 | | | | 413,088 |
| Total Expenses | 146,665 | 6,886 | - | 6,294 | 37,537 | 19,379 | 120,690 | 4,808 | 70,829 | | | - | |
| Excess of revenue over expenses | - | 10,314 | 14,950 | - | (10,037) | (4,994) | 40,058 | 5,192 | 2,949 | | | - | 58,432 |
| Fund balance, beginning of year | - | - | - | - | 27,317 | - | 50,474 | - | 54,662 | | | - | 132,453 |
| Transferred to operating fund | - | - | - | - | - | 4,994 | - | - | (4,994) | | | | |
| Transferred to capital fund | | | (16,253) | | | | (28,269) | | | | | 44,522 | |
| **Fund balance, end of year** | $ - | $ 10,314 | $ (1,303) | $ - | $ 17,280 | $ - | $ 62,263 | $ 5,192 | $ 52,617 | $ 12,786 | $ 39,831 | $ 44,522 | $ 190,885 |

See accompanying schedules and notes to financial statements.

## PURPOSE OF THE ORGANIZATION

Weston King Neighbourhood Centre (the "Organization") was incorporated without share capital under the laws of the Province of Ontario as a not-for-profit organization and is a registered charitable organization. As such, it is not subject to income taxes. The Organization offers assistance to people within its community who struggle to integrate in society due to economic or social barriers.

## 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and include the following significant accounting policies.

**Revenue recognition**
The Organization recognizes revenue according to the deferral method. Restricted contributions towards expenses of future periods are deferred and recognized as revenue in the period(s) in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**Capital assets**
Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their fair value at the date of contribution. Depreciation is recorded over the estimated useful lives of the assets according to the following annual rates and methods:

| | |
|---|---|
| Leasehold improvements | Straight-line over remaining term of lease, but not less than 5 years |

**Deferred revenue - capital assets**
Contributions received towards the purchase of capital assets are deferred and amortized into income on the same basis as the related capital assets are depreciated.

**Donated services**
Volunteers contribute considerable time to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Use of estimates**
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Estimates are used when accounting for the collectability of receivables, the useful lives of capital assets and the determination of accrued liabilities. Actual results could differ from such estimates.

## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments**
Financial instruments, consisting of cash, short term investments, accounts receivables, and accounts payable are recorded at fair value on initial recognition and then subsequently at cost or amortized cost, unless management has elected to carry them at fair value. None of the financial instruments are carried at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value would be expensed as incurred.

Financial assets are assessed for indicators of impairment annually at the year-end date. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized by selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral held to secure repayment of the asset. If events or circumstances change in a future period, an impairment loss can be reversed to the extent of the improvement, but not exceeding the initial carrying value.

## 2. CAPITAL ASSETS

The Organization incurred expenditures with respect to the acquisition of Leasehold Improvements. As the leasehold improvements were not built or ready for use at December 31, 2014, amortization expense was not calculated for the current period.

## 3. DEFERRED REVENUE

Funding received in the current fiscal year which is planned and authorized for spending in the following fiscal year has been deferred as follows:

| | 2014 | 2013 |
|---|---|---|
| Ontario Trillium Fund | $ 175,100 | $ - |
| City of Toronto, drop-in services | 36,666 | - |
| City of Toronto, housing support | 17,200 | - |
| | $ 228,966 | $ - |

## 4. COMMITMENT

The Organization occupies premises at under lease which expires in April 2019. Future minimum rental payments under the leases, plus applicable taxes, are as follows:

| | |
|---|---|
| Fiscal 2016 | 24,000 |
| 2017 | 24,000 |
| 2018 | 24,000 |
| 2019 | 8,000 |
| | $ 80,000 |

## 5. CHANGE IN ACCOUNTING POLICY, CONTRIBUTED MATERIALS AND SERVICES

The Organization changed its method of accounting for revenue recognition of contributed materials and services. Previously, the fair market of rent was determined and recognized as donated rental income with a corresponding amount of rent expense. The Company no longer follows this policy and does not recognize any income or related expenses associated with contributions of materials or services.

This change in accounting policy had no effect on fund balances or on the excess of revenues over expenses.

## 6. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

**Interest rate risk**
The Organization is exposed to the risk of changing interest rates as it currently has interest-bearing investments. Cash includes amounts on deposit with financial institutions in an interest bearing account and the Organization holds short term investments. Fluctuations in market rates of interest on cash balances do not have a significant impact on the Organization's results of operations.

**Credit risk**
Credit risk arises from the potential that a funder will default on their financial obligations. The Organization is funded by the City of Toronto, Trillium and various other entities which reduces its credit risk. Credit risk associated with cash is minimized substantially by ensuring that cash is held in major financial institutions in accounts which can easily be accessed.

**Liquidity risk**
Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. It also includes the risk of the Organization not being able to liquidate assets in a timely manner at a reasonable price. Weston King Neighbourhood Centre meets its liquidity requirements by preparing and monitoring an annual financial budget and by holding cash in accounts that are readily accessible.