

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

FINANCIAL STATEMENTS

MARCH 31, 2021

Independent Auditor's Report

To the Board of Directors of Kensington-Bellwoods Community Legal Services

Opinion

We have audited the financial statements of Kensington-Bellwoods Community Legal Services (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, funds balance and 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 Organization as at March 31, 2021, 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.

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 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 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 ability of the Organization 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 financial reporting process of the Organization.

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 the financial statements.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 internal control of the Organization.
- 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 ability of the Organization 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario
September 13, 2021

Chartered Professional Accountants
Licensed Public Accountants

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

Statement of Financial Position

March 31, 2021

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Project Fund \$	Total \$
ASSETS					
Current Assets					
Cash	5,416	5,923	-	-	11,339
Accounts receivable	-	-	-	2,311	2,311
HST recoverable	13,010	9	-	1,597	14,616
Prepaid expenses	10,748	-	-	-	10,748
	29,174	5,932	-	3,908	39,014
Capital assets (note 3)	-	-	3,969	-	3,969
Total assets	29,174	5,932	3,969	3,908	42,983
LIABILITIES					
Current Liabilities					
Accounts payable	42,304	-	-	-	42,304
Inter-fund payable (receivable)	(2,431)	122	-	2,309	-
	39,873	122	-	2,309	42,304
FUNDS BALANCE (DEFICIT)	(10,699)	5,810	3,969	1,599	679
Total liabilities and funds balance	29,174	5,932	3,969	3,908	42,983

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director
Kensington-Bellwoods Community Legal Services

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

Statement of Financial Position

March 31, 2020

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Non-LAO Fund \$	Financial Eligibility Fund \$	Total \$
ASSETS						
Current Assets						
Cash	20,838	4,225	-	-	-	25,063
Accounts receivable	64	-	-	-	-	64
HST recoverable	7,297	-	-	-	-	7,297
Prepaid expenses	10,431	-	-	-	-	10,431
	38,630	4,225	-	-	-	42,855
Capital assets (note 3)	-	-	7,391	-	-	7,391
Total assets	38,630	4,225	7,391	-	-	50,246
LIABILITIES						
Current Liabilities						
Accounts payable	18,835	-	-	-	-	18,835
Inter-fund payable (receivable)	(1,135)	1,135	-	-	-	-
	17,700	1,135	-	-	-	18,835
FUNDS BALANCE	20,930	3,090	7,391	-	-	31,411
Total liabilities and funds balance	38,630	4,225	7,391	-	-	50,246

The accompanying notes are an integral part of these financial statements

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

Statement of Operations and Funds Balance

Year ended March 31, 2021

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Project Fund \$	Total \$
Revenues					
Legal Aid Ontario					
Direct receipts	919,080	4,745	-	-	923,825
Indirect receipts (note 4)	30,353	-	-	-	30,353
Canadian Red Cross Grant	-	-	-	23,108	23,108
	949,433	4,745	-	23,108	977,286
Expenses					
Salaries	637,395	-	-	-	637,395
Benefits	130,340	-	-	-	130,340
Professional dues	7,275	-	-	-	7,275
Membership fees	4,535	-	-	-	4,535
Travel	20	-	-	-	20
Communications	4,912	-	-	-	4,912
Accommodations	111,880	-	-	-	111,880
Equipment	4,027	-	-	-	4,027
Library	1,909	-	-	-	1,909
Supplies and services	11,234	-	-	-	11,234
Indirect payments (note 4)	30,353	-	-	-	30,353
Professional fees	14,890	-	-	-	14,890
Legal disbursements	-	2,025	-	-	2,025
Project expenses	-	-	-	21,509	21,509
Amortization	-	-	3,422	-	3,422
	958,770	2,025	3,422	21,509	985,726
Excess of revenues over expenses (expenses over revenues)	(9,337)	2,720	(3,422)	1,599	(8,440)
Return of funding to Legal Aid Ontario	(22,292)	-	-	-	(22,292)
Funds balance, beginning of year	20,930	3,090	7,391	-	31,411
Funds balance (deficit), end of year	(10,699)	5,810	3,969	1,599	679

The accompanying notes are an integral part of these financial statements

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

Statement of Operations and Funds Balance

Year ended March 31, 2020

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Non-LAO Fund \$	Financial Eligibility Fund \$	Total \$
Revenues						
Legal Aid Ontario						
Direct receipts	892,305	5,430	-	-	-	897,735
Indirect receipts (note 4)	41,004	-	-	-	-	41,004
City of Toronto Grant	-	-	-	4,670	-	4,670
Other income	387	-	-	-	-	387
	933,696	5,430	-	4,670	-	943,796
Expenses						
Salaries	568,499	-	-	4,248	-	572,747
Benefits	113,357	-	-	422	-	113,779
Professional dues	6,974	-	-	-	-	6,974
Membership fees	4,779	-	-	-	-	4,779
Travel	1,457	-	-	-	-	1,457
Communications	5,874	-	-	-	-	5,874
Accommodations	116,565	-	-	-	-	116,565
Equipment	7,409	-	-	-	-	7,409
Library	2,211	-	-	-	-	2,211
Supplies and services	10,690	-	-	-	-	10,690
Indirect payments (note 4)	41,004	-	-	-	-	41,004
Professional fees	24,291	-	-	-	-	24,291
Legal disbursements	-	3,966	-	-	-	3,966
Amortization	-	-	3,421	-	-	3,421
	903,110	3,966	3,421	4,670	-	915,167
Excess of revenues over expenses (expenses over revenues)	30,586	1,464	(3,421)	-	-	28,629
Return of funding to Legal Aid Ontario	(9,691)	-	-	-	(166)	(9,857)
Funds balance, beginning of year	35	1,626	10,812	-	166	12,639
Funds balance, end of year	20,930	3,090	7,391	-	-	31,411

The accompanying notes are an integral part of these financial statements

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

Statement of Cash Flows

Year ended March 31, 2021	2021 \$	2020 \$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	(8,440)	28,629
Return of funding to Legal Aid Ontario	(22,292)	(9,857)
Item not affecting cash		
Amortization	3,422	3,421
	<u>(27,310)</u>	<u>22,193</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(2,247)	4,476
Increase in HST recoverable	(7,319)	(544)
Decrease (increase) in prepaid expenses	(317)	544
Increase (decrease) in accounts payable	23,469	(11,414)
	<u>(13,724)</u>	<u>15,255</u>
Net change in cash	(13,724)	15,255
Cash, beginning of year	25,063	9,808
Cash, end of year	<u>11,339</u>	<u>25,063</u>

The accompanying notes are an integral part of these financial statements

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

Notes to Financial Statements

March 31, 2021

Kensington-Bellwoods Community Legal Services (the "Organization"), is incorporated without share capital under the laws of the Province of Ontario. The Organization was formed to provide equal access to quality legal services for the low-income members of the Kensington-Bellwoods community of Toronto and is primarily funded by Legal Aid Ontario.

The Organization qualifies as a not-for-profit organization under the Income Tax Act and is exempt from corporate income tax.

1. Significant accounting policies

a) Fund accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. The Organization follows the restricted fund method of accounting for contributions whereby all contributions are recognized as revenue when received or receivable. All the funds described below, except as noted, are restricted as to use by various agreements between the Organization and Legal Aid Ontario ("LAO") and title to the Organization assets vests with the funder.

i) General Fund

These funds are used to provide a range of legal and paralegal services, including information, advice and representation, to low-income individuals and families.

ii) Legal Disbursements Fund

These funds are used to provide for certain direct expenses incurred in representing clients in legal proceedings.

iii) Capital Fund

This fund holds the capital assets of the Organization that have been funded by Legal Aid Ontario.

iv) Non-LAO Fund

These funds are received from the City of Toronto through the Investing in Neighbourhoods initiative program to create new job opportunities.

v) Financial Eligibility Fund

These funds were used to hire two part-time students from August 2018 to March 2019.

vi) Project Fund

These funds were received from the Canadian Red Cross Society to help address the impacts of COVID-19 on non-profit organizations.

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

Notes to Financial Statements (continued)

March 31, 2021

1. Significant accounting policies (continued)

b) Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as capital assets, otherwise, costs are expensed as incurred. The cost of capital assets comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Capital assets are presented at cost less accumulated amortization and accumulated impairment losses.

Capital assets are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, then the amount of the impairment is quantified by comparing the carrying value of the capital assets to its fair value. Any impairment of capital assets is charged to operations in the period in which the impairment is determined.

An impairment loss is not reversed if the fair value of the capital assets subsequently increases.

The Organization provides for amortization using methods at rates designed to amortize the cost of the property and equipment over their estimated useful lives. Amortization is provided on a straight-line basis, over the following periods:

Computer equipment	- 3 years
Telephone equipment	- 8 years

c) Financial instruments

i) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

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

Financial liabilities measured at amortized cost include accounts payable.

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

Notes to Financial Statements (continued)

March 31, 2021

1. Significant accounting policies (continued)

c) Financial instruments (continued)

ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations and funds balance. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations and funds balance up to the amount of the previously recognized impairment.

2. Financial instrument risk management

The Organization may be exposed to various risks through its financial instruments including credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk):

Credit risk

Credit risk is the risk that the counterpart to a financial instrument will fail to discharge an obligation that is entered into with the Organization. The Organization is not exposed to significant credit risk.

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. The Organization is not exposed to significant liquidity risk.

Market risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

The Organization is not exposed to significant market risk.

Changes in risk

There have been no changes in the Organization's risk exposures from the prior year.

KENSINGTON-BELLWOODS COMMUNITY LEGAL SERVICES

Notes to Financial Statements (continued)

March 31, 2021

3. Capital assets

	2021		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	17,186	16,151	1,035
Telephone equipment	6,005	3,071	2,934
	<u>23,191</u>	<u>19,222</u>	<u>3,969</u>

	2020		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	17,186	13,480	3,706
Telephone equipment	6,005	2,320	3,685
	<u>23,191</u>	<u>15,800</u>	<u>7,391</u>

4. Indirect payments

Legal Aid Ontario administers and makes payments on behalf of the Organization for the following expenditures:

General Fund	2021	2020
	\$	\$
Pension and group insurance	343	516
Supplies and services	29,940	39,603
Library expenses	70	885
	<u>30,353</u>	<u>41,004</u>

5. Lease commitments

The Organization is committed to lease its premises until March 31, 2023. Minimum lease payments including operating costs and realty taxes are as follows:

2022	\$ 103,997
2023	<u>103,997</u>
	<u>\$ 207,994</u>

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