

DURHAM COMMUNITY LEGAL CLINIC

FINANCIAL STATEMENTS

MARCH 31, 2013 AND 2012

HILBORN  **LLP**

Independent Auditor's Report

To the Board of Directors of
Durham Community Legal Clinic

We have audited the accompanying financial statements of Durham Community Legal Clinic, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, funds balance and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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 audits. We conducted our audits 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 organization's preparation 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 organization'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 Durham Community Legal Clinic as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



Toronto, Ontario
September 27, 2013

Chartered Professional Accountants
Licensed Public Accountants

DURHAM COMMUNITY LEGAL CLINIC

Statement of Financial Position

March 31, 2013

	General Fund	Legal Disbursements Fund	Capital Fund	Duty Counsel Fund	Non-LAO Donations Fund	Total
	\$	\$	\$	\$	\$	\$
ASSETS						
Current Assets						
Cash and short-term investments	56,212	29,329	-	-	47,948	133,489
Accounts receivable	1,366	100	-	-	427	1,893
HST receivable	1,933	-	-	-	-	1,933
Prepaid expenses	14,092	-	-	-	-	14,092
	73,603	29,429	-	-	48,375	151,407
Capital assets (note 4)	-	-	14,172	-	-	14,172
Total assets	73,603	29,429	14,172	-	48,375	165,579
LIABILITIES						
Current Liabilities						
Accounts payable	23,162	-	-	-	-	23,162
Inter-fund payable (receivable)	36,064	(28)	-	(33,716)	(2,320)	-
Deferred revenue	1,880	-	-	-	-	1,880
	61,106	(28)	-	(33,716)	(2,320)	25,042
FUNDS BALANCE	12,497	29,457	14,172	33,716	50,695	140,537
Total liabilities and funds balance	73,603	29,429	14,172	-	48,375	165,579

Approved on behalf of the Board:

Director
Durham Community Legal Clinic

DURHAM COMMUNITY LEGAL CLINIC

Statement of Financial Position

March 31, 2012

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
ASSETS						
Current Assets						
Cash and short-term investments	32,669	48,408	-	-	42,358	123,435
Accounts receivable	1,144	-	-	-	-	1,144
HST receivable	2,839	-	-	-	-	2,839
Prepaid expenses	9,540	-	-	-	-	9,540
	<u>46,192</u>	<u>48,408</u>	<u>-</u>	<u>-</u>	<u>42,358</u>	<u>136,958</u>
Capital assets (note 4)	-	-	19,349	-	-	19,349
Total assets	<u>46,192</u>	<u>48,408</u>	<u>19,349</u>	<u>-</u>	<u>42,358</u>	<u>156,307</u>
LIABILITIES						
Current Liabilities						
Accounts payable	15,608	-	-	-	-	15,608
Inter-fund payable (receivable)	39,223	(28)	-	(36,875)	(2,320)	-
Deferred revenue	3,760	-	-	-	-	3,760
	<u>58,591</u>	<u>(28)</u>	<u>-</u>	<u>(36,875)</u>	<u>(2,320)</u>	<u>19,368</u>
FUNDS BALANCE (DEFICIT)	<u>(12,399)</u>	<u>48,436</u>	<u>19,349</u>	<u>36,875</u>	<u>44,678</u>	<u>136,939</u>
Total liabilities and funds balance	<u>46,192</u>	<u>48,408</u>	<u>19,349</u>	<u>-</u>	<u>42,358</u>	<u>156,307</u>

DURHAM COMMUNITY LEGAL CLINIC

Statement of Financial Position

April 1, 2011

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
ASSETS						
Current Assets						
Cash and short-term investments	53,485	57,882	-	-	38,151	149,518
Accounts receivable	1,052	-	-	-	-	1,052
HST receivable	2,255	-	-	-	-	2,255
Prepaid expenses	9,229	-	-	-	-	9,229
	66,021	57,882	-	-	38,151	162,054
Capital assets (note 4)	-	-	21,363	-	-	21,363
Total assets	66,021	57,882	21,363	-	38,151	183,417
LIABILITIES						
Current Liabilities						
Accounts payable	11,795	-	-	-	-	11,795
Inter-fund payable (receivable)	24,345	-	-	(24,345)	-	-
Deferred revenue	3,760	-	-	-	-	3,760
	39,900	-	-	(24,345)	-	15,555
FUNDS BALANCE	26,121	57,882	21,363	24,345	38,151	167,862
Total liabilities and funds balance	66,021	57,882	21,363	-	38,151	183,417

DURHAM COMMUNITY LEGAL CLINIC

Statement of Operations and Funds Balance

Year ended March 31, 2013

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
Revenues						
Legal Aid Ontario						
-direct receipts	647,358	-	-	-	-	647,358
-indirect receipts (note 5)	69,236	-	2,932	-	-	72,168
Tenant Duty Counsel Program	-	-	-	59,272	-	59,272
Recovered from clients	-	11,309	-	-	-	11,309
Northumberland Community Legal Centre	-	-	-	-	8,464	8,464
Donations	-	-	-	-	8,290	8,290
Other income	729	4	-	-	1	734
	<u>717,323</u>	<u>11,313</u>	<u>2,932</u>	<u>59,272</u>	<u>16,755</u>	<u>807,595</u>
Expenses						
Salaries	513,175	-	-	-	-	513,175
Benefits	66,285	-	-	-	-	66,285
Professional dues	4,710	-	-	-	-	4,710
Legal fees	145	-	-	-	-	145
Travel	2,552	-	-	-	-	2,552
Communications	12,066	-	-	-	-	12,066
Equipment	3,857	-	-	-	-	3,857
Library	368	-	-	-	-	368
Supplies and services	16,187	-	-	-	-	16,187
Audit fees	3,846	-	-	-	-	3,846
Indirect payments (note 5)	69,236	-	-	-	-	69,236
Legal disbursements	-	30,292	-	-	-	30,292
Project expenses	-	-	-	62,431	10,738	73,169
Amortization	-	-	8,109	-	-	8,109
	<u>692,427</u>	<u>30,292</u>	<u>8,109</u>	<u>62,431</u>	<u>10,738</u>	<u>803,997</u>
Excess of revenues over expenses (expenses over revenues)	24,896	(18,979)	(5,177)	(3,159)	6,017	3,598
Funds balance (deficit), beginning of year	(12,399)	48,436	19,349	36,875	44,678	136,939
Funds balance, end of year	<u>12,497</u>	<u>29,457</u>	<u>14,172</u>	<u>33,716</u>	<u>50,695</u>	<u>140,537</u>

DURHAM COMMUNITY LEGAL CLINIC

Statement of Operations and Funds Balance

Year ended March 31, 2012

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
Revenues						
Legal Aid Ontario						
-direct receipts	555,041	-	-	-	-	555,041
-indirect receipts (note 5)	68,943	-	-	-	-	68,943
Tenant Duty Counsel Program	-	-	-	73,435	-	73,435
Human Resources Development Canada	3,115	-	-	-	-	3,115
Recovered from clients	-	13,004	-	-	-	13,004
Donations	-	-	-	-	6,441	6,441
Other income	12	3	-	-	415	430
	627,111	13,007	-	73,435	6,856	720,409
Expenses						
Salaries	477,507	-	-	-	-	477,507
Benefits	69,815	-	-	-	-	69,815
Professional dues	6,902	-	-	-	-	6,902
Travel	2,759	-	-	-	-	2,759
Communications	16,442	-	-	-	-	16,442
Equipment	2,484	-	-	-	-	2,484
Library	1,183	-	-	-	-	1,183
Supplies and services	16,270	-	-	-	-	16,270
Audit fees	3,326	-	-	-	-	3,326
Indirect payments (note 5)	68,943	-	-	-	-	68,943
Legal disbursements	-	22,453	-	-	-	22,453
Project expenses	-	-	-	60,905	329	61,234
Amortization	-	-	2,014	-	-	2,014
	665,631	22,453	2,014	60,905	329	751,332
Excess of revenues over expenses (expenses over revenues)	(38,520)	(9,446)	(2,014)	12,530	6,527	(30,923)
Funds balance, beginning of year	26,121	57,882	21,363	24,345	38,151	167,862
Funds balance (deficit), end of year	(12,399)	48,436	19,349	36,875	44,678	136,939

DURHAM COMMUNITY LEGAL CLINIC

Statements of Cash Flows

Years ended March 31	2013 Total \$	2012 Total \$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for year	3,598	(30,923)
Item not affecting cash		
Amortization	8,109	2,014
	<u>11,707</u>	<u>(28,909)</u>
Changes in non-cash working capital		
Increase in accounts receivable	(749)	(92)
Decrease (increase) in HST receivable	906	(584)
Increase in prepaid expenses	(4,552)	(311)
Increase in accounts payable	7,554	3,813
Decrease in deferred revenue	(1,880)	-
	<u>12,986</u>	<u>(26,083)</u>
Cash flows from investing activities		
Purchase of capital assets	(2,932)	-
Net change in cash during year	10,054	(26,083)
Cash and short-term investments, beginning of year	123,435	149,518
Cash and short-term investments, end of year	<u>133,489</u>	<u>123,435</u>

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements

March 31, 2013 and 2012

Durham Community Legal Clinic (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 to citizens of the Regional Municipality of Durham.

The organization qualifies as a registered charity 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. 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 organization 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) Duty Counsel Fund

These funds, received from the Advocacy Centre for Tenants Ontario, are used to pay for caseworkers services in providing advice to tenants appearing at the Landlord and Tenant Board.

v) Non-LAO Donations Fund

These funds are received from Non-LAO sources and are used to fund expenditures as approved by the executive director.

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements (continued)

March 31, 2013 and 2012

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
Office equipment	- 5 years
Telephone equipment	- 8 years
Leasehold improvements	- over the term of the lease

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 short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable.

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements (continued)

March 31, 2013 and 2012

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. **Impact of the change in the basis of accounting**

These financial statements were prepared in accordance with Part III, Accounting Standards for Not-for-Profit Organizations ("NFPO") of the CICA Handbook - Accounting ("Handbook"). The organization's first reporting period using Part III of the Handbook is March 31, 2013. Therefore its date of transition to Part III is April 1, 2011.

As these statements are the first financial statements for which the organization has applied Part III of the Handbook, the financial statements have been prepared in accordance with the provisions set out in Section 1501 of Part III of the Handbook, First-time Adoption. The organization is required to apply Part III of the Handbook effective for periods ending on March 31, 2013 in:

- a) preparing and presenting its statement of financial position at April 1, 2011; and
- b) preparing and presenting its statement of financial position for March 31, 2013 (including comparative amounts for 2012), its statement of operations and fund balances and statement of cash flows for the year ended March 31, 2013, (including comparative amounts for 2012) and disclosures (including comparative information for 2012).

The adoption of NFPO standards had no impact on the previously reported assets, liabilities and funds balance of the organization, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations and fund balances and the cash flow statement. Certain of the organization's presentation and disclosures included in these financial statements reflect the new presentation and disclosure requirements of NFPO standards.

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements (continued)

March 31, 2013 and 2012

3. Financial instruments

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. It is management's opinion that 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. It is management's opinion that 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.

It is management's opinion that 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.

4. Capital assets

	March 31, 2013		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	68,812	66,857	1,955
Office equipment	50,186	49,938	248
Telephone equipment	13,654	12,628	1,026
Leasehold improvements	118,233	107,290	10,943
	<u>250,885</u>	<u>236,713</u>	<u>14,172</u>

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements (continued)

March 31, 2013 and 2012

4. Capital assets (continued)

	March 31, 2012		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	65,880	65,880	-
Office equipment	50,185	49,872	313
Telephone equipment	13,653	11,513	2,140
Leasehold improvements	118,233	101,337	16,896
	<u>247,951</u>	<u>228,602</u>	<u>19,349</u>

	April 1, 2011		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	65,880	65,836	44
Office equipment	50,185	49,507	678
Telephone equipment	13,653	10,398	3,255
Leasehold improvements	118,233	100,847	17,386
	<u>247,951</u>	<u>226,588</u>	<u>21,363</u>

5. Indirect payments

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

General Fund	2013	2012
	\$	\$
Pension and group insurance	52	193
Supplies and services	4,025	3,146
Accommodation and equipment	65,053	65,226
Travel and communications	-	291
Library expenses	106	87
	<u>69,236</u>	<u>68,943</u>

Capital Fund	2013	2012
	\$	\$
Computer equipment	<u>2,932</u>	<u>-</u>

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