

DURHAM COMMUNITY LEGAL CLINIC

FINANCIAL STATEMENTS

MARCH 31, 2015

HILBORNLLP

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 statement of financial position as at March 31, 2015, and the statements of operations, funds balance 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 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 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 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, 2015, 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, Ontario
September 24, 2015

Chartered Professional Accountants
Licensed Public Accountants

DURHAM COMMUNITY LEGAL CLINIC

Statement of Financial Position

March 31, 2015

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
ASSETS						
Current Assets						
Cash and short-term investments	240,272	14,182	-	-	56,422	310,876
Accounts receivable	-	-	-	-	-	-
HST recoverable	5,416	-	-	-	-	5,416
Prepaid expenses	20,823	-	-	-	-	20,823
	266,511	14,182	-	-	56,422	337,115
Capital assets (note 3)	-	-	144,122	-	-	144,122
Total assets	266,511	14,182	144,122	-	56,422	481,237
LIABILITIES						
Current Liabilities						
Accounts payable	19,182	-	-	-	-	19,182
Inter-fund payable (receivable)	12,110	(28)	(19,353)	11,248	(3,977)	-
Deferred revenue (note 4)	6,800	-	-	-	-	6,800
	38,092	(28)	(19,353)	11,248	(3,977)	25,982
FUNDS BALANCE (DEFICIT)	228,419	14,210	163,475	(11,248)	60,399	455,255
Total liabilities and funds balance	266,511	14,182	144,122	-	56,422	481,237

Approved on behalf of the Board:

Director
Durham Community Legal Clinic

DURHAM COMMUNITY LEGAL CLINIC

Statement of Financial Position

March 31, 2014

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
ASSETS						
Current Assets						
Cash and short-term investments	20,841	17,775	-	-	54,157	92,773
Accounts receivable	-	-	131,778	-	-	131,778
HST recoverable	1,923	-	-	-	-	1,923
Prepaid expenses	8,781	-	-	-	-	8,781
	<u>31,545</u>	<u>17,775</u>	<u>131,778</u>	<u>-</u>	<u>54,157</u>	<u>235,255</u>
Capital assets (note 3)	-	-	12,812	-	-	12,812
Total assets	<u>31,545</u>	<u>17,775</u>	<u>144,590</u>	<u>-</u>	<u>54,157</u>	<u>248,067</u>
LIABILITIES						
Current Liabilities						
Accounts payable	25,669	-	-	-	-	25,669
Inter-fund payable (receivable)	14,134	(28)	-	(11,225)	(2,881)	-
	<u>39,803</u>	<u>(28)</u>	<u>-</u>	<u>(11,225)</u>	<u>(2,881)</u>	<u>25,669</u>
FUNDS BALANCE (DEFICIT)	<u>(8,258)</u>	<u>17,803</u>	<u>144,590</u>	<u>11,225</u>	<u>57,038</u>	<u>222,398</u>
Total liabilities and funds balance	<u>31,545</u>	<u>17,775</u>	<u>144,590</u>	<u>-</u>	<u>54,157</u>	<u>248,067</u>

DURHAM COMMUNITY LEGAL CLINIC

Statement of Operations and Funds Balance

Year ended March 31, 2015

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
Revenues						
Legal Aid Ontario						
-direct receipts	878,548	16,640	68,309	-	-	963,497
-indirect receipts (note 5)	7,488	-	-	-	-	7,488
Tenant Duty Counsel Program	-	-	-	43,232	-	43,232
Recovered from clients	-	6,833	-	-	-	6,833
Northumberland Community Legal Centre	-	-	-	-	9,281	9,281
Human Resources Development Canada	2,889	-	-	-	-	2,889
Donations	-	-	-	-	2,710	2,710
Other income	1,501	-	-	-	730	2,231
	890,426	23,473	68,309	43,232	12,721	1,038,161
Expenses						
Salaries	505,927	-	-	-	-	505,927
Benefits	58,924	-	-	-	-	58,924
Professional dues	5,539	-	-	-	-	5,539
Legal fees	280	-	-	-	-	280
Travel	1,627	-	-	-	-	1,627
Communications	9,213	-	-	-	-	9,213
Accommodations (note 4)	30,123	-	-	-	-	30,123
Equipment	3,490	-	-	-	-	3,490
Library	192	-	-	-	-	192
Supplies and services	27,329	-	-	-	-	27,329
Audit fees	3,617	-	-	-	-	3,617
Indirect payments (note 5)	7,488	-	-	-	-	7,488
Legal disbursements	-	27,066	-	-	-	27,066
Project expenses	-	-	-	65,705	9,360	75,065
Moving expenses	-	-	12,416	-	-	12,416
Amortization	-	-	37,008	-	-	37,008
	653,749	27,066	49,424	65,705	9,360	805,304
Excess of revenues over expenses (expenses over revenues)	236,677	(3,593)	18,885	(22,473)	3,361	232,857
Funds balance (deficit), beginning of year	(8,258)	17,803	144,590	11,225	57,038	222,398
Funds balance (deficit), end of year	228,419	14,210	163,475	(11,248)	60,399	455,255

DURHAM COMMUNITY LEGAL CLINIC

Statement of Operations and Funds Balance

Year ended March 31, 2014

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
Revenues						
Legal Aid Ontario						
-direct receipts	577,482	-	131,778	-	-	709,260
-indirect receipts (note 5)	65,663	-	11,834	-	-	77,497
Tenant Duty Counsel Program	-	-	-	38,640	-	38,640
Recovered from clients	-	11,720	-	-	-	11,720
Northumberland Community Legal Centre	-	-	-	-	8,464	8,464
Human Resources Development Canada	2,758	-	-	-	-	2,758
Donations	-	-	-	-	7,560	7,560
Other income	7	3	-	-	349	359
	645,910	11,723	143,612	38,640	16,373	856,258
Expenses						
Salaries	502,160	-	-	-	-	502,160
Benefits	57,963	-	-	-	-	57,963
Professional dues	4,653	-	-	-	-	4,653
Legal fees	280	-	-	-	-	280
Travel	2,100	-	-	-	-	2,100
Communications	9,899	-	-	-	-	9,899
Equipment	3,017	-	-	-	-	3,017
Library	173	-	-	-	-	173
Supplies and services	16,911	-	-	-	-	16,911
Audit fees	3,846	-	-	-	-	3,846
Indirect payments (note 5)	65,663	-	-	-	-	65,663
Legal disbursements	-	23,377	-	-	-	23,377
Project expenses	-	-	-	61,131	10,030	71,161
Amortization	-	-	13,194	-	-	13,194
	666,665	23,377	13,194	61,131	10,030	774,397
Excess of revenues over expenses (expenses over revenues)	(20,755)	(11,654)	130,418	(22,491)	6,343	81,861
Funds balance, beginning of year	12,497	29,457	14,172	33,716	50,695	140,537
Funds balance (deficit), end of year	(8,258)	17,803	144,590	11,225	57,038	222,398

DURHAM COMMUNITY LEGAL CLINIC

Statement of Cash Flows

Year ended March 31	2015 \$	2014 \$
Cash flows from operating activities		
Excess of revenues over expenses for year	232,857	81,861
Item not affecting cash		
Amortization	37,008	13,194
	<u>269,865</u>	<u>95,055</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	131,778	(129,885)
Decrease (increase) in HST recoverable	(3,493)	10
Decrease (increase) in prepaid expenses	(12,042)	5,311
Increase (decrease) in accounts payable	(6,487)	2,507
Increase (decrease) in deferred revenue	6,800	(1,880)
	<u>386,421</u>	<u>(28,882)</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(168,318)</u>	<u>(11,834)</u>
Net change in cash during year	218,103	(40,716)
Cash and short-term investments, beginning of year	<u>92,773</u>	<u>133,489</u>
Cash and short-term investments, end of year	<u><u>310,876</u></u>	<u><u>92,773</u></u>

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements

March 31, 2015

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.

March 31, 2015

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 risks**

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.

March 31, 2015

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 instruments risks**

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.

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements (continued)

March 31, 2015

2. Financial instruments risks (continued)

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.

3. Capital assets

	2015		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	25,074	25,074	-
Office equipment	50,186	50,186	-
Telephone equipment	13,654	13,654	-
Leasehold improvements	180,152	36,030	144,122
	<u>269,066</u>	<u>124,944</u>	<u>144,122</u>

	2014		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	68,812	67,834	978
Office equipment	50,186	50,186	-
Telephone equipment	13,654	13,654	-
Leasehold improvements	130,067	118,233	11,834
	<u>262,719</u>	<u>249,907</u>	<u>12,812</u>

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements (continued)

March 31, 2015

4. Deferred revenue

The Organization received a lease inducement of \$8,500. The amount is being amortized on a straight-line basis as a reduction of accommodations expense over the term of the lease.

5. Indirect payments

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

General Fund	2015	2014
	\$	\$
Pension and group insurance	180	199
Supplies and services	4,693	8,387
Accommodation and equipment	2,615	57,077
	<u>7,488</u>	<u>65,663</u>
Capital Fund	2015	2014
	\$	\$
Leasehold improvements	-	11,834
	<u>-</u>	<u>11,834</u>

6. Lease commitments

The Organization is committed to lease its premises until March 31, 2019. Minimum lease payments are as follows:

2016	\$ 32,159
2017	32,159
2018	32,159
2019	<u>32,159</u>
	<u>\$ 128,636</u>

HILBORN

LISTENERS. THINKERS. DOERS.