

DURHAM COMMUNITY LEGAL CLINIC

FINANCIAL STATEMENTS

MARCH 31, 2016

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, 2016, and the statements of operations and 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 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 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, 2016, 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 22, 2016

Chartered Professional Accountants
Licensed Public Accountants

DURHAM COMMUNITY LEGAL CLINIC

Statement of Financial Position

March 31, 2016

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
ASSETS						
Current Assets						
Cash and short-term investments	362,511	8,620	-	-	60,442	431,573
Accounts receivable	-	-	-	-	30	30
HST recoverable	8,145	-	-	-	-	8,145
Prepaid expenses	12,699	-	-	-	125	12,824
	383,355	8,620	-	-	60,597	452,572
Capital assets (note 3)	-	-	144,144	-	-	144,144
Total assets	383,355	8,620	144,144	-	60,597	596,716
LIABILITIES						
Current Liabilities						
Accounts payable	16,069	-	-	-	-	16,069
Inter-fund payable (receivable)	(29,310)	-	26,055	7,232	(3,977)	-
Deferred lease inducements	5,618	-	-	-	-	5,618
	(7,623)	-	26,055	7,232	(3,977)	21,687
FUNDS BALANCE (DEFICIT)	390,978	8,620	118,089	(7,232)	64,574	575,029
Total liabilities and funds balance	383,355	8,620	144,144	-	60,597	596,716

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

Director
Durham Community Legal Clinic

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
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 lease inducements	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

The accompanying notes are an integral part of these financial statements.

DURHAM COMMUNITY LEGAL CLINIC

Statement of Operations and Funds Balance

Year ended March 31, 2016

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
Revenues						
Legal Aid Ontario						
-direct receipts	950,341	9,550	-	-	-	959,891
-indirect receipts (note 4)	9,466	-	-	-	-	9,466
Tenant Duty Counsel Program	-	-	-	72,808	-	72,808
Recovered from clients	-	11,386	-	-	-	11,386
Human Resources Development Canada	2,894	-	-	-	-	2,894
Donations	-	-	-	-	4,619	4,619
Other income	843	-	-	-	390	1,233
	963,544	20,936	-	72,808	5,009	1,062,297
Expenses						
Salaries	614,584	-	-	-	-	614,584
Benefits	76,910	-	-	-	-	76,910
Professional dues	6,506	-	-	-	-	6,506
Travel	3,393	-	-	-	-	3,393
Communications	9,688	-	-	-	-	9,688
Accommodations	36,185	-	-	-	-	36,185
Equipment	4,147	-	-	-	-	4,147
Library	265	-	-	-	-	265
Supplies and services	35,185	-	-	-	-	35,185
Audit fees	4,656	-	-	-	-	4,656
Indirect payments (note 4)	9,466	-	-	-	-	9,466
Legal disbursements	-	26,526	-	-	-	26,526
Project expenses	-	-	-	68,792	834	69,626
Amortization	-	-	45,386	-	-	45,386
	800,985	26,526	45,386	68,792	834	942,523
Excess of revenues over expenses (expenses over revenues)	162,559	(5,590)	(45,386)	4,016	4,175	119,774
Funds balance (deficit), beginning of year	228,419	14,210	163,475	(11,248)	60,399	455,255
Funds balance (deficit), end of year	390,978	8,620	118,089	(7,232)	64,574	575,029

The accompanying notes are an integral part of these financial statements.

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 4)	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	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 4)	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

The accompanying notes are an integral part of these financial statements.

DURHAM COMMUNITY LEGAL CLINIC

Statement of Cash Flows

Year ended March 31	2016 \$	2015 \$
Cash flows from operating activities		
Excess of revenues over expenses for year	119,774	232,857
Item not affecting cash		
Amortization	45,386	37,008
	<u>165,160</u>	<u>269,865</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(30)	131,778
Increase in HST recoverable	(2,729)	(3,493)
Decrease (increase) in prepaid expenses	7,999	(12,042)
Decrease in accounts payable	(3,113)	(6,487)
Increase (decrease) in deferred revenue	(1,182)	6,800
	<u>166,105</u>	<u>386,421</u>
Cash flows from investing activities		
Purchase of capital assets	(45,408)	(168,318)
Net change in cash	120,697	218,103
Cash and short-term investments, beginning of year	310,876	92,773
Cash and short-term investments, end of year	<u>431,573</u>	<u>310,876</u>

The accompanying notes are an integral part of these financial statements.

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements

March 31, 2016

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 and is primarily funded by Legal Aid Ontario.

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 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 Organization clients in legal proceedings. Disbursements recovered from clients are recorded in revenue when received.

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, 2016

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, 2016

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.

d) Deferred lease inducements

Deferred lease inducements are being amortized on a straight-line basis as a reduction of accommodations expense over the term of the lease.

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.

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements (continued)

March 31, 2016

2. Financial instrument risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of interest rate risk, currency risk and other price risk.

- i) Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments.
- ii) Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies.
- iii) 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.

3. Capital assets

	2016		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	29,662	26,604	3,058
Office equipment	22,241	4,448	17,793
Telephone equipment	13,654	13,654	-
Leasehold improvements	198,732	75,439	123,293
	<u>264,289</u>	<u>120,145</u>	<u>144,144</u>

	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>

DURHAM COMMUNITY LEGAL CLINIC

Notes to Financial Statements (continued)

March 31, 2016

4. Indirect payments

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

General Fund	2016	2015
	\$	\$
Pension and group insurance	-	180
Supplies and services	9,385	4,693
Accommodation and equipment	-	2,615
Library expenses	81	-
	<u>9,466</u>	<u>7,488</u>
Capital Fund	2016	2015
	\$	\$
Leasehold improvements	-	-

5. Lease commitments

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

2017	\$ 40,282
2018	40,282
2019	<u>40,282</u>
	<u>\$ 120,846</u>

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LISTENERS. THINKERS. DOERS.