

**DURHAM COMMUNITY LEGAL CLINIC**

FINANCIAL STATEMENTS

MARCH 31, 2017

**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 statement of financial position as at March 31, 2017, 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, 2017, 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 27, 2017

Chartered Professional Accountants  
Licensed Public Accountants

# DURHAM COMMUNITY LEGAL CLINIC

## Statement of Financial Position

March 31, 2017

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
<b>ASSETS</b>						
Current Assets						
Cash and short-term investments	11,563	9,596	-	-	65,094	<b>86,253</b>
HST recoverable	7,300	-	-	-	-	<b>7,300</b>
Prepaid expenses	13,122	-	-	-	-	<b>13,122</b>
	<u>31,985</u>	<u>9,596</u>	<u>-</u>	<u>-</u>	<u>65,094</u>	<u><b>106,675</b></u>
Capital assets (note 3)	-	-	114,825	-	-	<b>114,825</b>
Total assets	<u>31,985</u>	<u>9,596</u>	<u>114,825</u>	<u>-</u>	<u>65,094</u>	<u><b>221,500</b></u>
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	12,964	545	-	-	-	<b>13,509</b>
Inter-fund payable (receivable)	(2,922)	-	-	5,848	(2,926)	<b>-</b>
Deferred lease inducements	3,745	-	-	-	-	<b>3,745</b>
	<u>13,787</u>	<u>545</u>	<u>-</u>	<u>5,848</u>	<u>(2,926)</u>	<u><b>17,254</b></u>
<b>FUNDS BALANCE (DEFICIT)</b>	<u>18,198</u>	<u>9,051</u>	<u>114,825</u>	<u>(5,848)</u>	<u>68,020</u>	<u><b>204,246</b></u>
Total liabilities and funds balance	<u>31,985</u>	<u>9,596</u>	<u>114,825</u>	<u>-</u>	<u>65,094</u>	<u><b>221,500</b></u>

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, 2016

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

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, 2017

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
<b>Revenues</b>						
Legal Aid Ontario						
-direct receipts	968,746	15,950	-	-	-	984,696
-indirect receipts (note 4)	8,879	-	-	-	-	8,879
Tenant Duty Counsel Program	-	-	-	68,239	-	68,239
Recovered from clients	-	10,174	-	-	-	10,174
Human Resources Development Canada	3,048	-	-	-	-	3,048
Donations	-	-	-	-	5,125	5,125
Other income	-	-	-	-	431	431
Eastern Region Transformation Project	2,557	-	-	-	-	2,557
	<u>983,230</u>	<u>26,124</u>	<u>-</u>	<u>68,239</u>	<u>5,556</u>	<u>1,083,149</u>
<b>Expenses</b>						
Salaries	738,148	-	-	-	-	738,148
Benefits	107,580	-	-	-	-	107,580
Professional dues	9,290	-	-	-	-	9,290
Travel	4,245	-	-	-	-	4,245
Communications	10,911	-	-	-	-	10,911
Accommodations	39,038	-	-	-	-	39,038
Equipment	3,851	-	-	-	-	3,851
Library	571	-	-	-	-	571
Supplies and services	33,890	-	-	-	-	33,890
Audit fees	4,137	-	-	-	-	4,137
Indirect payments (note 4)	8,879	-	-	-	-	8,879
Legal disbursements	-	25,693	-	-	-	25,693
Project expenses	2,557	-	-	66,855	2,110	71,522
Amortization	-	-	53,851	-	-	53,851
	<u>963,097</u>	<u>25,693</u>	<u>53,851</u>	<u>66,855</u>	<u>2,110</u>	<u>1,111,606</u>
Excess of revenues over expenses (expenses over revenues)	20,133	431	(53,851)	1,384	3,446	(28,457)
Return of prior year surplus to funder	(342,326)	-	-	-	-	(342,326)
Transfer to Capital Fund	(50,587)	-	50,587	-	-	-
Funds balance (deficit), beginning of year	390,978	8,620	118,089	(7,232)	64,574	575,029
Funds balance (deficit), end of year	<u>18,198</u>	<u>9,051</u>	<u>114,825</u>	<u>(5,848)</u>	<u>68,020</u>	<u>204,246</u>

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 \$
<b>Revenues</b>						
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
	<b>963,544</b>	<b>20,936</b>	<b>-</b>	<b>72,808</b>	<b>5,009</b>	<b>1,062,297</b>
<b>Expenses</b>						
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
	<b>800,985</b>	<b>26,526</b>	<b>45,386</b>	<b>68,792</b>	<b>834</b>	<b>942,523</b>
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	<b>390,978</b>	<b>8,620</b>	<b>118,089</b>	<b>(7,232)</b>	<b>64,574</b>	<b>575,029</b>

The accompanying notes are an integral part of these financial statements

# DURHAM COMMUNITY LEGAL CLINIC

## Statement of Cash Flows

Year ended March 31	2017 \$	2016 \$
Cash flows from operating activities		
Excess of (expenses over revenue) revenue over expenses for year	(28,457)	119,774
Item not affecting cash		
Amortization	53,851	45,386
	<u>25,394</u>	<u>165,160</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	30	(30)
Decrease (increase) in HST recoverable	845	(2,729)
Increase (decrease) in prepaid expenses	(298)	7,999
Decrease in accounts payable	(2,560)	(3,113)
Decrease in deferred revenue	(1,873)	(1,182)
	<u>21,538</u>	<u>166,105</u>
Cash flows from investing activities		
Purchase of capital assets	(24,532)	(45,408)
Cash flows from financing activities		
Return of prior year surplus to funder	(342,326)	-
Net change in cash	(345,320)	120,697
Cash and short-term investments, beginning of year	431,573	310,876
Cash and short-term investments, end of year	<u>86,253</u>	<u>431,573</u>

The accompanying notes are an integral part of these financial statements

# DURHAM COMMUNITY LEGAL CLINIC

## Notes to Financial Statements

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March 31, 2017

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 of the applicable fund 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)

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March 31, 2017

### 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 occurs.

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 capital assets 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
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)

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March 31, 2017

### 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, 2017

### 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.

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.

### 3. Capital assets

	2017		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	35,709	30,148	5,561
Office equipment	36,925	11,833	25,092
Leasehold improvements	202,533	118,361	84,172
	<u>275,167</u>	<u>160,342</u>	<u>114,825</u>

	2016		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	29,662	26,604	3,058
Office equipment	22,241	4,448	17,793
Leasehold improvements	198,732	75,439	123,293
	<u>250,635</u>	<u>106,491</u>	<u>144,144</u>

# DURHAM COMMUNITY LEGAL CLINIC

## Notes to Financial Statements (continued)

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March 31, 2017

### 4. Indirect payments

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

<b>General Fund</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Pension and group insurance	222	-
Supplies and services	8,274	9,385
Accommodation and equipment	207	-
Library expenses	176	81
	<u>8,879</u>	<u>9,466</u>

### 5. Lease commitments

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

2018	\$ 40,282
2019	<u>40,282</u>
	<u>\$ 80,564</u>

# HILBORN

LISTENERS. THINKERS. DOERS.