

**DURHAM COMMUNITY LEGAL CLINIC**

FINANCIAL STATEMENTS

March 31, 2019

## **Independent Auditor's Report**

To the Board of Directors of Durham Community Legal Clinic

### **Opinion**

We have audited the financial statements of Durham Community Legal Clinic (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and 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, 2019, 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.

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.

## Independent Auditor's Report (continued)

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

- 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  
November 28, 2019

Chartered Professional Accountants  
Licensed Public Accountants

# DURHAM COMMUNITY LEGAL CLINIC

## Statement of Financial Position

March 31, 2019

	General Fund	Legal Disbursements Fund	Capital Fund	Duty Counsel Fund	Non-LAO Donations Fund	Access to Justice Hub Fund	Total
	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>							
Current Assets							
Cash and cash equivalents	117,484	33,636	-	-	66,769	-	217,889
Accounts receivable	3,313	-	-	-	-	-	3,313
HST recoverable	42,796	-	-	-	-	-	42,796
Prepaid expenses	24,471	-	-	-	-	992	25,463
	188,064	33,636	-	-	66,769	992	289,461
Capital assets (note 3)	-	-	404,241	-	-	-	404,241
Total assets	188,064	33,636	404,241	-	66,769	992	693,702
<b>LIABILITIES</b>							
Current Liabilities							
Accounts payable	7,345	50	-	-	-	-	7,395
Inter-fund payable (receivable)	41,691	(250)	-	(5,255)	(2,649)	(33,537)	-
	49,036	(200)	-	(5,255)	(2,649)	(33,537)	7,395
<b>FUNDS BALANCE</b>	139,028	33,836	404,241	5,255	69,418	34,529	686,307
Total liabilities and funds balance	188,064	33,636	404,241	-	66,769	992	693,702

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, 2018

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
<b>ASSETS</b>						
Current Assets						
Cash and cash equivalents	25,055	17,268	-	-	69,986	<b>112,309</b>
Accounts receivable	1,994	-	-	-	-	<b>1,994</b>
HST recoverable	5,330	-	-	-	-	<b>5,330</b>
Prepaid expenses	14,102	-	-	-	-	<b>14,102</b>
	<u>46,481</u>	<u>17,268</u>	<u>-</u>	<u>-</u>	<u>69,986</u>	<u><b>133,735</b></u>
Capital assets (note 3)	-	-	47,780	-	-	<b>47,780</b>
Total assets	<u>46,481</u>	<u>17,268</u>	<u>47,780</u>	<u>-</u>	<u>69,986</u>	<u><b>181,515</b></u>
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	15,467	160	-	-	-	<b>15,627</b>
Inter-fund payable (receivable)	2,743	(478)	-	671	(2,936)	-
Deferred lease inducements	1,133	-	-	-	-	<b>1,133</b>
	<u>19,343</u>	<u>(318)</u>	<u>-</u>	<u>671</u>	<u>(2,936)</u>	<u><b>16,760</b></u>
<b>FUNDS BALANCE (DEFICIT)</b>	<u>27,138</u>	<u>17,586</u>	<u>47,780</u>	<u>(671)</u>	<u>72,922</u>	<u><b>164,755</b></u>
Total liabilities and funds balance	<u>46,481</u>	<u>17,268</u>	<u>47,780</u>	<u>-</u>	<u>69,986</u>	<u><b>181,515</b></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, 2019

	General Fund \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Access to Justice Hub Fund \$	Total \$
<b>Revenues</b>							
Legal Aid Ontario							
-direct receipts	1,582,243	23,380	-	-	-	-	1,605,623
-indirect receipts (note 4)	11,432	-	36,800	-	-	-	48,232
Tenant Duty Counsel Program	-	-	-	76,976	-	-	76,976
Recovered from clients	-	7,308	-	-	-	-	7,308
Northumberland Community Legal Centre	453	-	-	-	-	-	453
Durham College	-	-	-	-	-	37,000	37,000
Region of Durham	-	-	-	-	-	40,000	40,000
Donations	-	-	-	-	3,019	-	3,019
Interest income	-	-	-	-	1,903	-	1,903
	<b>1,594,128</b>	<b>30,688</b>	<b>36,800</b>	<b>76,976</b>	<b>4,922</b>	<b>77,000</b>	<b>1,820,514</b>
<b>Expenses</b>							
Salaries	834,273	-	-	-	-	-	834,273
Benefits	152,902	-	-	-	-	-	152,902
Professional dues	11,473	-	-	-	-	-	11,473
Legal fees	4,187	-	-	-	-	-	4,187
Travel	4,422	-	-	-	-	-	4,422
Communications	17,289	-	-	-	-	-	17,289
Accommodations	62,728	-	-	-	-	-	62,728
Equipment	3,424	-	-	-	-	-	3,424
Library	1,295	-	-	-	-	-	1,295
Supplies and services	42,431	-	-	-	-	-	42,431
Audit fees	4,656	-	-	-	-	-	4,656
Indirect payments (note 4)	11,432	-	-	-	-	-	11,432
Legal disbursements	-	14,438	-	-	-	-	14,438
Project expenses	42	-	-	71,050	1,679	8,016	80,787
Amortization	-	-	53,225	-	-	-	53,225
	<b>1,150,554</b>	<b>14,438</b>	<b>53,225</b>	<b>71,050</b>	<b>1,679</b>	<b>8,016</b>	<b>1,298,962</b>
Excess of revenues over expenses (expenses over revenues)	443,574	16,250	(16,425)	5,926	3,243	68,984	521,552
Transfer to Capital Fund	(331,684)	-	372,886	-	(6,747)	(34,455)	-
Funds balance (deficit), beginning of year	27,138	17,586	47,780	(671)	72,922	-	164,755
Funds balance, end of year	<b>139,028</b>	<b>33,836</b>	<b>404,241</b>	<b>5,255</b>	<b>69,418</b>	<b>34,529</b>	<b>686,307</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, 2018

	General Fund (note 6) \$	Legal Disbursements Fund \$	Capital Fund \$	Duty Counsel Fund \$	Non-LAO Donations Fund \$	Total \$
<b>Revenues</b>						
Legal Aid Ontario						
-direct receipts	966,458	16,470	-	-	-	<b>982,928</b>
-indirect receipts (note 4)	7,815	-	-	-	-	<b>7,815</b>
Tenant Duty Counsel Program	-	-	-	73,543	-	<b>73,543</b>
Recovered from clients	-	14,277	-	-	-	<b>14,277</b>
Northumberland Community Legal Centre	19,495	-	-	-	-	<b>19,495</b>
Human Resources Development Canada	2,694	-	-	-	-	<b>2,694</b>
Donations	-	-	-	-	6,280	<b>6,280</b>
Interest Income	-	-	-	-	475	<b>475</b>
Eastern Region Transformation Project	733	-	-	-	-	<b>733</b>
	<b>997,195</b>	<b>30,747</b>	<b>-</b>	<b>73,543</b>	<b>6,755</b>	<b>1,108,240</b>
<b>Expenses</b>						
Salaries	742,482	-	-	-	-	<b>742,482</b>
Benefits	134,886	-	-	-	-	<b>134,886</b>
Professional dues	10,698	-	-	-	-	<b>10,698</b>
Travel	3,886	-	-	-	-	<b>3,886</b>
Communications	16,818	-	-	-	-	<b>16,818</b>
Accommodations	36,471	-	-	-	-	<b>36,471</b>
Equipment	3,352	-	-	-	-	<b>3,352</b>
Library	406	-	-	-	-	<b>406</b>
Supplies and services	26,052	-	-	-	-	<b>26,052</b>
Audit fees	4,656	-	-	-	-	<b>4,656</b>
Indirect payments (note 4)	7,815	-	-	-	-	<b>7,815</b>
Legal disbursements	-	22,212	-	-	-	<b>22,212</b>
Project expenses	733	-	-	68,366	1,853	<b>70,952</b>
Amortization	-	-	67,045	-	-	<b>67,045</b>
	<b>988,255</b>	<b>22,212</b>	<b>67,045</b>	<b>68,366</b>	<b>1,853</b>	<b>1,147,731</b>
Excess of revenues over expenses (expenses over revenues)	8,940	8,535	(67,045)	5,177	4,902	<b>(39,491)</b>
Funds balance (deficit), beginning of year	18,198	9,051	114,825	(5,848)	68,020	<b>204,246</b>
Funds balance (deficit), end of year	<b>27,138</b>	<b>17,586</b>	<b>47,780</b>	<b>(671)</b>	<b>72,922</b>	<b>164,755</b>

The accompanying notes are an integral part of these financial statements

# DURHAM COMMUNITY LEGAL CLINIC

## Statement of Cash Flows

Year ended March 31	2019 \$	2018 \$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for year	521,552	(39,491)
Item not affecting cash		
Amortization	53,225	67,045
	<u>574,777</u>	<u>27,554</u>
Changes in non-cash working capital		
Increase in accounts receivable	(1,319)	(1,994)
Decrease (increase) in HST recoverable	(37,466)	1,970
Increase in prepaid expenses	(11,361)	(980)
Increase (decrease) in accounts payable	(8,232)	2,118
Decrease in deferred lease inducements	(1,133)	(2,612)
	<u>515,266</u>	<u>26,056</u>
Cash flows from investing activities		
Purchase of capital assets	(409,686)	-
Net change in cash	105,580	26,056
Cash and cash equivalents, beginning of year	112,309	86,253
Cash and cash equivalents, end of year	<u>217,889</u>	<u>112,309</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, 2019

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.

#### vi) Access to Justice Hub Fund

These funds, received from Durham College and the Regional Municipality of Durham, are used to provide services pertaining to financial literacy, benefits and transfers to low-income individuals within Durham Region.

# DURHAM COMMUNITY LEGAL CLINIC

## Notes to Financial Statements (continued)

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March 31, 2019

### 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
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)

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March 31, 2019

### 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, 2019

### 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

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	\$	\$	\$
Computer equipment	25,025	15,431	9,594
Office equipment	36,925	26,603	10,322
Telephone equipment	9,241	1,155	8,086
Leasehold improvements	386,054	9,815	376,239
	<u>448,004</u>	<u>51,849</u>	<u>404,241</u>

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
	\$	\$	\$
Computer equipment	35,709	33,693	2,016
Office equipment	36,925	19,218	17,707
Leasehold improvements	202,533	174,476	28,057
	<u>275,167</u>	<u>227,387</u>	<u>47,780</u>

# DURHAM COMMUNITY LEGAL CLINIC

## Notes to Financial Statements (continued)

March 31, 2019

### 4. Indirect payments

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

<b>General Fund</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Pension and group insurance	78	186
Supplies and services	10,864	5,219
Accommodation and equipment	-	550
Library expenses	490	1,860
	<u>11,432</u>	<u>7,815</u>

  

<b>Capital Fund</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Computer hardware	9,930	-
Leasehold Improvements	26,870	-
	<u>\$ 36,800</u>	<u>\$ -</u>

### 5. Lease commitments

The Organization is committed to lease its premises until October 31, 2023. Minimum lease payments are as follows:

2020	\$ 110,208
2021	110,208
2022	110,208
2023	110,208
2024	<u>64,288</u>
	<u>\$505,120</u>

### 6. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

**HILBORN**

LISTENERS. THINKERS. DOERS.