

**West Toronto Community Legal  
Services Inc.**

**Financial Statements**

**March 31, 2020**

# West Toronto Community Legal Services Inc.

## Financial Statements

March 31, 2020

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August 6, 2020

## **Independent Auditor's Report**

To the Board of Directors of West Toronto Community Legal Services Inc.

### **Opinion**

We have audited the financial statements of West Toronto Community Legal Services Inc., which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in fund balances 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 West Toronto Community Legal Services Inc. as at March 31, 2020, and its financial performance 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 West Toronto Community Legal Services Inc. 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 West Toronto Community Legal Services Inc.'s ability 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 West Toronto Community Legal Services Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing West Toronto Community Legal Services Inc.'s financial reporting process.

### **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 these financial statements.

Roger Chaplin CPA, CA LPA MA [Oxon] Gail Bergman CPA, CA LPA B Comm

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 West Toronto Community Legal Services Inc.'s internal control.
- 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 West Toronto Community Legal Services Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to 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 auditors' report. However, future events or conditions may cause West Toronto Community Legal Services Inc. 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.

*Chaplin & Co.*

Chartered Accountants  
Licensed Public Accountants  
Toronto, Ontario

# West Toronto Community Legal Services Inc.


## Statement of Financial Position

	General Fund	Legal Disbursements Fund	Capital Fund	Non-LAO Project Fund	Trust Fund	March 31 2020	March 31 2019
<b>Assets</b>							
Current							
Cash	\$ 19,925	\$ 3,061	\$ -	\$ 26,941	\$ 10	\$ 49,937	\$ 70,553
Accounts receivable	1,278	56	-	-	-	1,334	-
HST recoverable	8,502	32	-	1,087	-	9,621	32,770
Prepaid expenses	16,641	-	-	-	-	16,641	18,682
Capital assets (note 2)	46,346	3,149	-	28,028	10	77,533	122,005
	-	-	168,681	-	-	168,681	218,373
<b>Total assets</b>	<b>\$ 46,346</b>	<b>\$ 3,149</b>	<b>\$ 168,681</b>	<b>\$ 28,028</b>	<b>\$ 10</b>	<b>\$ 246,214</b>	<b>\$ 340,378</b>
<b>Liabilities</b>							
Current							
Accounts payable and accrued liabilities	\$ 30,254	\$ 150	\$ -	\$ 20,269	\$ -	\$ 50,673	\$ 73,362
Due to (from) other funds	(330)	367	-	(37)	-	-	-
Deferred revenue-rent deposit (note 4)	5,707	56	-	-	-	5,763	5,707
Deferred contribution related to capital assets (note 5)	-	-	144,900	-	-	144,900	186,300
Funds held in trust	-	-	-	-	10	10	10
<b>Fund balances</b>	<b>35,631</b>	<b>573</b>	<b>144,900</b>	<b>20,232</b>	<b>10</b>	<b>201,346</b>	<b>265,379</b>
	10,715	2,576	23,781	7,796	-	44,868	74,999
<b>Total liabilities and fund balances</b>	<b>\$ 46,346</b>	<b>\$ 3,149</b>	<b>\$ 168,681</b>	<b>\$ 28,028</b>	<b>\$ 10</b>	<b>\$ 246,214</b>	<b>\$ 340,378</b>

Commitment (note 8)

See accompanying notes

Approved on behalf of the Board of Directors  
of West Toronto Community Legal Services Inc.:



Director



Director



# West Toronto Community Legal Services Inc.

## Statement of Operations and Changes in Fund Balances

	General Fund	Legal Disbursements Fund	Capital Fund	Non-LAO Project Fund	For the year ended March 31 2020	For the year ended March 31 2019
<b>Revenues</b>						
Legal Aid Ontario	\$ 748,948	\$ 1,770	\$ 34,000	\$ -	\$ 784,718	\$ 869,304
- direct receipts	17,688	-	-	-	17,688	26,624
- indirect receipts (note 3)	-	-	-	334,470	334,470	334,470
City of Toronto	-	-	7,400	-	10,366	3,700
Other funding	2,966	-	-	-	-	-
	<u>769,602</u>	<u>1,770</u>	<u>41,400</u>	<u>334,470</u>	<u>1,147,242</u>	<u>1,234,098</u>
<b>Expenses</b>						
Accommodations	99,717	-	-	-	99,717	78,655
Audit fees	4,080	-	-	4,080	8,160	5,389
Benefits	78,111	-	-	41,919	120,030	137,050
Communications	7,221	-	-	8,710	15,931	16,472
Equipment	8,656	-	-	-	8,656	10,413
Indirect payments (note 3)	17,688	-	-	-	17,688	26,624
Legal disbursements	-	1,947	-	-	1,947	3,604
Legal fees	11,137	-	-	-	11,137	1,123
Library	701	-	-	-	701	338
Office build out	-	-	-	-	-	10,703
Professional dues	12,379	-	-	-	12,379	11,627
Salaries	541,359	-	-	236,897	778,256	812,202
Supplies and services	9,760	-	-	28,968	38,728	40,025
Travel	567	-	-	13,784	14,351	13,167
	<u>791,376</u>	<u>1,947</u>	<u>-</u>	<u>334,358</u>	<u>1,127,681</u>	<u>1,167,392</u>
Excess (deficiency) of revenues over expenses before non-cash expense	(21,774)	(177)	41,400	112	19,561	66,706
Amortization of capital assets	-	-	49,692	-	49,692	26,060
Excess (deficiency) of revenues over expenses	<u>(21,774)</u>	<u>(177)</u>	<u>(8,292)</u>	<u>112</u>	<u>(30,131)</u>	<u>40,646</u>
Interfund transfer (note 6)	-	-	-	-	-	-
Repayment of prior year surplus to City of Toronto	-	-	-	-	-	(38)
Fund balances, beginning of year	32,489	2,753	32,073	7,684	74,999	34,391
<b>Fund balances, end of year</b>	<u>\$ 10,715</u>	<u>\$ 2,576</u>	<u>\$ 23,781</u>	<u>\$ 7,796</u>	<u>\$ 44,868</u>	<u>\$ 74,999</u>

See accompanying notes

# West Toronto Community Legal Services Inc.

## Statement of Cash Flows

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	Year ended March 31	
	2020	2019
Net cash provided by (used in)		
Operations		
Excess (deficiency) of revenue over expenses	\$ (30,131)	\$ 40,646
Repayment of Non-LAO, City of Toronto funds	-	(38)
Item not involving cash		
Amortization	49,692	26,060
	<u>19,561</u>	<u>66,668</u>
Increase (decrease) in non-cash working capital		
Accounts receivable	(1,334)	8,375
HST recoverable	23,149	(24,453)
Prepaid expenses	2,041	11,126
Accounts payable and accrued liabilities	(22,689)	(17,062)
Deferred revenue- rent deposit	56	(13,768)
Deferred revenue - funding	(41,400)	186,300
	<u>(20,616)</u>	<u>217,186</u>
Investing		
Purchase of capital assets	-	(232,527)
Net increase in cash during the year	(20,616)	(15,341)
Cash, beginning of year	70,553	85,894
Cash, end of year	<u>\$ 49,937</u>	<u>\$ 70,553</u>

See accompanying notes

West Toronto Community Legal Services Inc. ("the clinic") is incorporated without share capital under the laws of the Province of Ontario. The clinic was formed to provide equal access to quality legal services for citizens of West Toronto.

The clinic qualifies as a not-for-profit organization under the Income Tax Act and is exempt from income taxes.

### 1. Summary of accounting policies

#### **Basis of presentation**

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Fund accounting**

The funds described below are restricted as to use by various agreements between the clinic, Legal Aid Ontario ("LAO") and the City of Toronto. Title to the clinic assets vests with the funders.

#### **General fund**

The General Fund is used to provide a range of legal and paralegal services, including information, advice and representation, to low-income individuals and families.

#### **Legal Disbursements Fund**

This fund is used to provide for certain direct expenses incurred in representing clinic clients in legal proceedings.

#### **Capital Fund**

This fund holds the capital assets of the clinic that have been funded by Legal Aid Ontario and the City of Toronto.

#### **Non-LAO Project Fund**

This fund pertains to the receipts, expenses, assets and liabilities received/incurred under grants from the City of Toronto - Homelessness Programs Fund and City of Toronto - Homeless Initiatives Fund. The City of Toronto provides funding for these projects on a calendar year basis.

#### **Trust Fund**

This fund holds monies to be remitted to clients and monies pooled from legal clinic lawyers to promote matters dealing with the profession.

#### **Revenue recognition**

The clinic follows the deferral method of accounting for contributions. Restricted contributions received under contribution agreements are recognized as revenue in the year in which the related expenses are incurred. Amounts received that relate to future fiscal periods are recorded as deferred income until the related costs are incurred.

#### **Measurement of financial instruments**

The clinic initially measures its financial assets and liabilities at fair value. The clinic subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash accounts receivable and HST recoverable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The clinic has not designated any financial asset or financial liability to be measured at fair value.

Financial assets measured at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indication of impairment the clinic determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset, and recognizes an impairment loss if the carrying value of the asset is greater than the higher of present value of the expected future cash flows, the amount that can be realized by selling the asset or the amount the organization expects to realize by exercising its right to any collateral.

If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement not exceeding the initial carrying value.



### 1. Summary of accounting policies (continued)

#### Capital assets

Capital assets are recorded at cost. Amortization is provided annually on a straight-line basis designed to amortize assets over the estimated useful lives at the following rates:

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

If there is an indication that the capital assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount, which is normally determined by estimating the sales less direct costs on an undiscounted basis over the remaining life of asset. There were no impairment indicators in 2020.

#### Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organization requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liability at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Such estimates include the useful lives of capital assets, deferred contributions and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### Donated services

Volunteers assist the clinic in carrying out its programs. Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

### 2. Capital assets

	<b>2020</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
Office equipment	\$ 67,875	\$ 67,875	\$ -
Leasehold improvements	240,973	72,292	168,681
Telephone equipment	14,788	14,788	-
	<u>\$ 323,636</u>	<u>\$ 154,955</u>	<u>\$ 168,681</u>
	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
Office equipment	\$ 67,875	\$ 66,844	\$ 1,031
Leasehold improvements	240,973	24,098	216,875
Telephone equipment	14,788	14,321	467
	<u>\$ 323,636</u>	<u>\$ 105,263</u>	<u>\$ 218,373</u>

# West Toronto Community Legal Services Inc.

## Notes to the Financial Statements March 31, 2020

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### 3. Indirect receipts/payments

Legal Aid Ontario administered and made payments on behalf of the clinic for the following General Fund expenditures as follows:

	2020	2019
Supplies and services	\$ 16,998	\$ 18,154
Pension and group insurance	517	42
Library	-	1,250
IT expenditures	173	7,178
	<u>\$ 17,688</u>	<u>\$ 26,624</u>

### 4. Deferred revenue - rent deposit

The deferred rent deposit represents the funds received from LAO for rent deposits held by the clinic's landlord as last month's rent.

	2020	2019
	<u>\$ 5,763</u>	<u>\$ 5,707</u>

### 5. Deferred contributions related to capital assets

Deferred contributions related to capital assets represents the unamortized cost of capital assets purchased from contributions from LAO, City of Toronto and Government of Canada. The contributions are amortized on a straight line basis over the term of the lease.

	2020	2019
Balance, beginning of year	\$ 186,300	\$ -
Additions	-	207,000
Amounts amortized to revenue	(41,400)	(20,700)
Balance, end of year	<u>\$ 144,900</u>	<u>\$ 186,300</u>

### 6. Interfund transfer

During the year Board of directors approved the transfer of \$nil (2019 - \$25,527) from the general to the capital fund.

### 7. Economic dependence

The clinic is dependent on funding from Legal Aid Ontario for its continued existence and ability to carry out its service mandate. During the year the clinic received approximately 69% (2019 - 72%) of its revenue from Legal Aid Ontario.

### 8. Commitment

The clinic occupies premises under the terms of a lease which expires on April 30, 2023, and an equipment lease which expires August 31, 2021. Future minimum payments are as follows for fiscal years ending:

2021	\$ 66,831
2022	65,884
2023	65,884
2024	5,490

**9. Post-retirement benefits**

The clinic sponsors a group RRSP plan for its employees. The clinic contributes 5.5% of the employee's annual salary to the plan. Contributions are made quarterly in arrears and vest immediately. During the year, the organization included \$36,304 (2019 - \$40,873) in expenses for contributions and administration of the pension plan.

**10. Risks associated with financial instruments**

**Interest rate risk**

The clinic is not exposed to the risk of changing interest rates as it currently does not have any interest-bearing debt. Cash includes amounts on deposit with financial institutions, earning interest at market rates. West Toronto Community Legal Services Inc. manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the clinic's results of operations. The primary objective with respect to cash is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory investment return.

**Credit risk**

Credit risk arises from the potential that debtors will renege on their payment responsibilities. It is believed that there is minimal risk of such an event.

**Liquidity risk**

Liquidity risk is the risk that the clinic will not be able to meet a demand for cash or fund its obligations as they come due. It also includes the risk of the clinic not being able to liquidate assets in a timely manner at a reasonable price. The clinic meets its liquidity requirements by holding assets that can be readily converted into cash.

**11. COVID-19**

The outbreak of the COVID-19 virus has resulted in the federal and provincial governments enacting emergency measures to contain the spread of the virus. These measures, including physical and social distancing, a prohibition of religious gatherings and the closure of schools and day cares, have resulted in an uncertain and challenging economic environment, and caused material disruption to the organization's operations.

As an emerging risk, the duration and impact of the COVID-19 pandemic is unknown at this time. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty. Accordingly, estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the organization's operations, financial results and condition in future periods are also subject to significant uncertainty, and cannot be estimated.