

**PORT COLBORNE COMMUNITY ASSOCIATION
FOR RESOURCE EXTENSION
(PORT CARES)**

Financial Statements
for the Year Ended March 31, 2018
and Independent Auditors' Report to the Directors

**PORT COLBORNE COMMUNITY ASSOCIATION
FOR RESOURCE EXTENSION
(PORT CARES)**

FINANCIAL STATEMENTS
MARCH 31, 2018

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DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Port Colborne Community Association for Resource Extension:

We have audited the accompanying financial statements of Port Colborne Community Association for Resource Extension, which comprise the statements of financial position as at March 31, 2018, operations, changes in unrestricted net assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Port Colborne Community Association for Resource Extension derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Port Colborne Community Association for Resource Extension. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenditures, and cash flows from operations for the year ending March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and net assets as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Port Colborne Community Association for Resource Extension as at March 31, 2018, 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.

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

May 28, 2018



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**PORT COLBORNE COMMUNITY ASSOCIATION
FOR RESOURCE EXTENSION
(PORT CARES)**

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUE		
Program and other grants	\$ 2,637,695	\$ 2,732,174
Donations	163,712	97,498
Fundraising events	82,411	80,326
Rental income	65,938	71,816
Other income	41,300	16,260
Amortization of deferred capital contributions	62,052	71,774
	3,053,108	3,069,848
EXPENSES		
Administration fees	291,277	273,202
Amortization of property and equipment	137,716	143,960
Employee incentives	335,941	374,451
Fundraising	21,561	14,170
Insurance	32,665	33,709
Interest on short-term debt	24,719	31,355
Municipal taxes	4,820	4,705
Office and administration	52,840	53,066
Professional fees	89,437	93,959
Program occupancy	227,737	228,732
Program supplies and client support	196,412	182,430
Repairs and maintenance	114,741	92,081
Rent	11,644	12,132
Salaries and benefits	1,582,495	1,715,562
Staff training	23,851	11,084
Staff travel	15,025	13,978
Telephone and utilities	75,178	82,640
	3,238,059	3,361,216
Less: expense recoveries	(519,013)	(501,762)
	2,719,046	2,859,454
EXCESS OF REVENUE OVER EXPENDITURES (Page 12)	\$ 334,062	\$ 210,394

**PORT COLBORNE COMMUNITY ASSOCIATION
FOR RESOURCE EXTENSION
(PORT CARES)**

STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS
YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	\$ 378,910	\$ 298,516
EXCESS OF REVENUE OVER EXPENDITURES	334,062	210,394
ALLOCATION TO PROGRAM CONTINUATION RESERVE (Note 8)	(50,000)	(50,000)
ALLOCATION TO CAPITAL REPLACEMENT RESERVE (Note 9)	(150,000)	(80,000)
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 512,972	\$ 378,910

**PORT COLBORNE COMMUNITY ASSOCIATION
FOR RESOURCE EXTENSION
(PORT CARES)**

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash	\$ 802,418	\$ 429,497
Accounts receivable	20,302	3,934
HST recoverable	25,074	45,362
Prepaid expenses	6,821	4,614
	854,615	483,407
Property and equipment (Note 2)	2,080,173	2,151,047
	\$ 2,934,788	\$ 2,634,454
LIABILITIES		
Current liabilities		
Demand loans payable (Note 3)	\$ 453,712	\$ 583,120
Accounts payable and accrued charges (Note 4)	178,728	175,773
Client care obligations (Note 5)	131,771	88,834
	764,211	847,727
Deferred contributions (Note 6)	79,754	27,376
Deferred capital contributions (Note 7)	1,122,851	1,125,441
Commitments (Note 10)		
	1,966,816	2,000,544
NET ASSETS		
Program continuation reserve (Note 8)	150,000	100,000
Capital replacement reserve (Note 9)	305,000	155,000
Unrestricted net assets	512,972	378,910
	967,972	633,910
	\$ 2,934,788	\$ 2,634,454

Approved by the Board:

..... Director

..... Director

**PORT COLBORNE COMMUNITY ASSOCIATION
FOR RESOURCE EXTENSION
(PORT CARES)**

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 334,062	\$ 210,394
Items not affecting cash		
Amortization of property and equipment	137,716	143,960
Amortization of deferred grants	(62,052)	(71,774)
	409,726	282,580
Changes in non-cash operating assets and liabilities		
Accounts receivable	(16,368)	(441)
HST recoverable	20,288	(5,817)
Prepaid expenses	(2,207)	240
Accounts payable and accrued charges	2,955	(42,172)
Deferred contributions	52,378	(128,045)
Repayable to funder	-	(21,028)
Client care obligations	42,937	5,877
	509,709	91,194
INVESTING ACTIVITIES		
Purchase of property and equipment	(66,842)	-
Capital grants	59,462	-
	(7,380)	-
FINANCING ACTIVITY		
Repayment of demand loans	(129,408)	(93,050)
INCREASE (DECREASE) IN CASH	372,921	(1,856)
CASH, BEGINNING OF YEAR	429,497	431,353
CASH, END OF YEAR	\$ 802,418	\$ 429,497

PORT COLBORNE COMMUNITY ASSOCIATION FOR RESOURCE EXTENSION (PORT CARES)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Nature of business

Port Colborne Community Association for Resource Extension is a non-profit organization that was incorporated without share capital in January, 1988 under the laws of the Province of Ontario. The Organization's main objective is to identify quality of life needs of the residents of Port Colborne, and surrounding areas and to undertake initiatives in response to those needs.

Revenue recognition

The Organization follows the deferral method of accounting for funding and contributions. Under this method, unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted grants or contributions are recognized as revenue in the year in which the related expenses are incurred. All other revenue is recognized as income when earned.

Deferred contributions

Deferred contributions represent restricted operating revenue received in the year that is related to program spending commitments in a subsequent year.

Deferred capital contributions

The Organization has received grants and donations to fund capital assets. These grants are being amortized at the same rate as the corresponding capital assets.

Income taxes

No provision has been made for income taxes in these financial statements as this entity is exempt from income taxes under section 179(1)(l) of the Canadian Income Tax Act.

Capital assets

Capital assets are recorded at cost and are amortized using the straight-line method over their estimated useful lives as follows:

Buildings	25 years
Office furniture and equipment	5 years
Computer equipment	4-5 years

Additions are amortized from the month of acquisition. Disposals are amortized until the month of disposal.

Long-lived assets

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

PORT COLBORNE COMMUNITY ASSOCIATION FOR RESOURCE EXTENSION (PORT CARES)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (continued)

Financial instruments

(a) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at their 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 attributed to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include demand loans payable, accounts payable and accrued charges and client care obligations.

(b) 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. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

Contributed services and materials

The Organization relies on varying levels of volunteer work to assist in carrying out its activities. Due to the difficulty in estimating the fair value of contributed services, no amounts for contributed services are recognized in the financial statements.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as allowances for amounts receivable, determination of useful lives and impairment of capital assets, accrued charges, deferred contributions, program surpluses repayable, revenue recognition, allocation of program revenue and expenses and contingent liabilities.

PORT COLBORNE COMMUNITY ASSOCIATION FOR RESOURCE EXTENSION (PORT CARES)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

2. PROPERTY AND EQUIPMENT

	<u>2018</u>		<u>2017</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 351,298	\$ -	\$ 325,530	\$ -
Buildings	2,933,907	1,270,256	2,933,907	1,152,899
Office furniture and equipment	196,969	181,507	191,970	173,359
Computer hardware	200,646	150,884	164,571	138,673
	3,682,820	1,602,647	3,615,978	1,464,931
Net book value		\$ 2,080,173		\$ 2,151,047

3. DEMAND LOANS PAYABLE

	<u>2018</u>	<u>2017</u>
Demand loan payable - Meridian Credit Union, interest at 4.86%, payable in monthly instalments of \$2,760, due August 2018	\$ 201,652	\$ 224,365
Demand loan payable - Meridian Credit Union, interest at 4.86%, payable in monthly instalments of \$3,340, due May 2022	232,165	260,294
Demand loan payable - Meridian Credit Union, interest at 4.26%, payable in monthly instalments of \$4,508, due June 2019	19,894	67,335
Demand loan payable - repaid in the current year	-	31,126
	\$ 453,712	\$ 583,120

The Organization has available an operating loan facility which bears interest at prime plus 2.25%. The maximum operating credit facilities is \$100,000.

The above-noted credit facilities are secured by a general security agreement, first and second mortgages on the property and building at 92 Charlotte Street and 176 Catharine Street for \$800,000 and \$300,000, respectively, and assignment of rents and leases.

The terms of the credit facilities require that the Organization maintain certain financial covenants related to debt service ratio. As at March 31, 2018, the Organization is in compliance with these covenants.

**PORT COLBORNE COMMUNITY ASSOCIATION
FOR RESOURCE EXTENSION
(PORT CARES)**

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

4. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2018</u>	<u>2017</u>
Trade accounts payable	\$ 19,366	\$ 45,671
Government remittances	1,470	956
Accrued charges		
Professional fees	15,071	17,695
Wages and vacation	110,874	104,876
Other	31,947	6,575
	\$ 178,728	\$ 175,773

5. CLIENT CARE OBLIGATIONS

Client care obligations represent expenses to be paid on behalf of clients of the Organization. In the event that funding is not spent, funding would be returned to the funding organization.

6. DEFERRED CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 27,376	\$ 155,421
Amount recognized as revenue in the year	(27,376)	(155,421)
Amount received related to subsequent years	79,754	27,376
	\$ 79,754	\$ 27,376

The deferred contributions relate to funding received during the year for expenditures that span beyond the current fiscal year. The amount of funding received but not yet spent at the end of the fiscal year was deferred and will be recognized when the related expenses have been incurred.

7. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,125,441	\$ 1,197,215
Funds received during the year	59,462	-
Amortization to revenues during the year	(62,052)	(71,774)
	\$ 1,122,851	\$ 1,125,441

Deferred capital contributions represent government contributions received for the purchase of capital assets. The amount of amortization to fund revenues is equivalent to the annual amortization expense of the related capital assets.

PORT COLBORNE COMMUNITY ASSOCIATION FOR RESOURCE EXTENSION (PORT CARES)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

8. PROGRAM CONTINUATION RESERVE

	<u>2018</u>	<u>2017</u>
Program Continuation Reserve, beginning of year	\$ 100,000	\$ 50,000
Net allocation in year	50,000	50,000
Program Continuation Reserve, end of year	\$ 150,000	\$ 100,000

The above noted reserve fund is internally restricted and created by the Organization. The funds are restricted for use at the discretion of the Board, in whole or in part, to support program continuation costs in the event that program funding is discontinued.

9. CAPITAL REPLACEMENT RESERVE

	<u>2018</u>	<u>2017</u>
Capital Replacement Reserve, beginning of year	\$ 155,000	\$ 75,000
Net allocation in year	150,000	80,000
Capital Replacement Reserve, end of year	\$ 305,000	\$ 155,000

The above noted reserve fund is internally restricted and created by the Organization. The funds are restricted for use at the discretion of the Board, in whole or in part, for future capital asset replacement and maintenance costs.

10. COMMITMENTS

The Organization has entered into three lease agreements to lease facilities for the Ontario Early Years program.

The lease with Providence Christian Reform Church expires December 31, 2018 and requires monthly payments of \$350.

The lease with Smithville United Church expires December 31, 2018 and requires monthly payments of \$361.

The lease for with St. George Catholic Elementary School expires June 30, 2018 and requires monthly payments of \$300.

**PORT COLBORNE COMMUNITY ASSOCIATION
FOR RESOURCE EXTENSION
(PORT CARES)**

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2018

11. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk since changes in interest rates may impact the Organization's borrowing costs. The Organization does not use any derivative instrument to reduce its exposure to interest rate risk.

It is management's opinion that the Organization is not exposed to significant market (other price), liquidity, currency or credit risks arising from its financial instruments.

12. ECONOMIC DEPENDENCE

The Organization's primary source of operating funding is derived from the Ministry of Training, Colleges and Universities. Should these contributions cease, the Organization would need to consider its ability to continue its current operations.

**PORT COLBORNE COMMUNITY ASSOCIATION
FOR RESOURCE EXTENSION
(PORT CARES)**

SCHEDULE OF OPERATIONS BY PROGRAM
YEAR ENDED MARCH 31, 2018

	Port Cares Admin	Client Services and Reach Out	Housing	Literacy and Basic Skills	Youth Justice Committee	Employment Services Program	Ontario Early Years Centre	2018	2017
REVENUE									
Program and other grants	\$ 4,917	\$ 166,614	\$ 278,902	\$ 216,896	\$ 60,315	\$ 1,373,085	\$ 536,966	\$ 2,637,695	\$ 2,732,174
Donations	79,595	78,269	4,848	-	-	-	1,000	163,712	97,498
Fundraising events	82,411	-	-	-	-	-	-	82,411	80,326
Rental income	65,938	-	-	-	-	-	-	65,938	71,816
Other income	7,770	8,276	3,880	-	1,686	19,688	-	41,300	16,260
Amortization of deferred capital contributions	42,831	-	-	1,378	-	17,843	-	62,052	71,774
	283,462	253,159	287,630	218,274	62,001	1,410,616	537,966	3,053,108	3,069,848
EXPENSES									
Administration fees	-	24,997	22,101	26,950	5,004	158,526	53,699	291,277	273,202
Amortization of property and equipment	118,495	-	-	1,378	-	17,843	-	137,716	143,960
Employee incentives	-	-	-	3,548	-	332,393	-	335,941	374,451
Fundraising	21,276	-	-	-	285	-	-	21,561	14,170
Insurance	10,583	2,547	1,674	1,848	1,087	8,249	6,677	32,665	33,709
Interest on short-term debt	24,719	-	-	-	-	-	-	24,719	31,355
Municipal taxes	4,820	-	-	-	-	-	-	4,820	4,705
Office and administration	21,903	2,414	2,111	2,140	3,402	15,652	5,218	52,840	53,066
Professional fees	60,835	1,640	3,000	2,338	500	16,753	4,371	89,437	93,959
Program occupancy	-	27,997	12,239	30,000	3,803	100,000	53,698	227,737	228,732
Program supplies and client support	16,577	21,010	3,409	2,977	2,312	146,532	3,595	196,412	182,430
Repairs and maintenance	50,287	1,444	2,349	14,872	354	36,600	8,835	114,741	92,081
Rent	-	-	-	-	-	-	11,644	11,644	12,132
Salaries and benefits	132,452	136,126	228,361	118,751	39,983	552,166	374,656	1,582,495	1,715,562
Staff training	1,286	1,155	217	7,207	500	12,133	1,353	23,851	11,084
Staff travel	2,397	2,698	823	865	1,315	4,259	2,668	15,025	13,978
Telephone and utilities	44,705	3,279	2,746	5,400	2,050	9,510	7,488	75,178	82,640
	510,335	225,307	279,030	218,274	60,595	1,410,616	533,902	3,238,059	3,361,216
Less: expense recoveries	(519,013)	-	-	-	-	-	-	(519,013)	(501,762)
	(8,678)	225,307	279,030	218,274	60,595	1,410,616	533,902	2,719,046	2,859,454
EXCESS OF REVENUE OVER EXPENDITURES	\$ 292,140	\$ 27,852	\$ 8,600	\$ -	\$ 1,406	\$ -	\$ 4,064	\$ 334,062	\$ 210,394