

**Catholic Family Services of Simcoe County
Financial Statements
For the Year Ended December 31, 2019**

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Financial Statements
For the Year Ended December 31, 2019

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Independent Auditor's Report

To the Board of Directors of Catholic Family Services of Simcoe County

Qualified Opinion

We have audited the financial statements of Catholic Family Services of Simcoe County (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statement of changes in net assets, statement of operations and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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 Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, fundraising activities and client fees, 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 the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, donation revenue or client fees, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years.

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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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.

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 Organization'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 the Organization's ability 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
April 28, 2020

Catholic Family Services of Simcoe County Statement of Financial Position

December 31	2019	2018
Assets		
Current		
Cash (note 2)	\$ 89,326	\$ 376,389
Short term investments (note 3)	325,303	212,479
Accounts receivable (note 4)	97,941	111,365
Grants receivable	60,813	129,876
Prepaid expenses	54,048	24,411
	627,431	854,520
Capital Assets at cost less accumulated amortization (note 5)	96,086	61,626
	\$ 723,517	\$ 916,146

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (note 6)	\$ 105,804	\$ 150,788
Deferred contributions (note 7)	-	63,056
	105,804	213,844
Deferred Contributions Related to Capital Assets (note 8)	1,268	1,582
	107,072	215,426
Commitments (note 9)		
Net Assets		
Unrestricted Fund	92,667	123,158
Internally restricted funds		
Reserve Fund (note 11)	489,862	489,862
Restricted Fund (note 11)	13,915	13,915
North Simcoe Community Fund (note 11)	20,001	73,785
	616,445	700,720
	\$ 723,517	\$ 916,146

On behalf of the Board:

_____ Director

_____ Director

**Catholic Family Services of Simcoe County
Statement of Changes in Net Assets**

For the year ended December 31	Unrestricted Fund	Reserve Fund	Restricted Fund	North Simcoe Community Fund	2019 Total	2018 Total
		(note 11)	(note 11)	(notes 11)		
Balance, beginning of the year	\$ 123,158	\$ 489,862	\$ 13,915	\$ 73,785	\$ 700,720	\$ 637,243
Excess of revenues over expenses for the year	(84,275)	-	-	-	(84,275)	56,592
Interest earned on investments	-	-	-	-	-	6,885
Fund transfer (note 12)	53,784	-	-	(53,784)	-	-
Balance, end of the year	\$ 92,667	\$ 489,862	\$ 13,915	\$ 20,001	\$ 616,445	\$ 700,720

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

Catholic Family Services of Simcoe County Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Catholic Charities - regular contribution	\$ 680,796	\$ 680,796
Catholic Charities - special project	78,000	104,725
Wendat Community Programs	790,624	707,422
Wendat Community Programs - special project	100,000	-
Ministry of the Attorney General	375,101	407,197
United Way	13,750	19,888
Client fees	53,308	85,885
Employment and Social Development Canada	8,805	-
Employee Assistance Programs	6,105	17,442
Donations and fundraising	18,369	9,852
Purchased services	464,710	286,675
Other income	26,994	16,331
Amortization of deferred capital contributions related to capital assets (note 8)	314	400
	<u>2,616,876</u>	<u>2,336,613</u>
Expenses		
Advertising and promotion	25,718	37,867
Agency dues and fees	14,356	11,374
Amortization	22,623	17,942
Bad Debt Expense	2,168	4,975
Board expenses	26,247	13,714
Fundraising expenses	2,125	1,262
Insurance	13,732	11,204
Interest and bank charges	4,009	3,180
License fees, computer and internet expenses	40,297	41,443
Moving expenses	-	3,218
Occupancy cost	233,243	186,549
Office supplies, equipment leases and maintenance	19,653	35,111
Professional fees	86,614	67,650
Program expenses	128,345	61,608
Telephone	8,455	12,696
Training and education	10,121	26,844
Travel	39,542	41,869
Wages and benefits	2,023,903	1,701,515
	<u>2,701,151</u>	<u>2,280,021</u>
Excess (deficiency) of revenues over expenses for the year	\$ (84,275)	\$ 56,592

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

Catholic Family Services of Simcoe County Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ (84,275)	\$ 56,592
Adjustment for items not involving cash		
Amortization of capital assets	22,623	17,942
Amortization of deferred capital contributions related to capital assets	(314)	(400)
	<u>(61,966)</u>	74,134
Changes in non-cash working capital balances related to operations		
Accounts receivable	13,424	(84,007)
Grants receivable	69,063	(129,876)
Prepaid expenses	(29,637)	(11,813)
Accounts payable and accrued liabilities	(44,984)	19,364
Deferred contributions	(63,056)	(11,295)
	<u>(55,190)</u>	<u>(217,627)</u>
Cash flows from investing activities		
Net changes in investments	(112,824)	104,180
Acquisition of capital assets	(57,083)	(26,676)
	<u>(169,907)</u>	77,504
Net decrease in cash during the year	(287,063)	(65,989)
Cash, beginning of the year	<u>376,389</u>	<u>442,378</u>
Cash, end of the year	\$ 89,326	\$ 376,389

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

Catholic Family Services of Simcoe County

Notes to Financial Statements

For the year ended December 31, 2019

1. Significant Accounting Policies

Nature and Purpose of Organization	Catholic Family Services of Simcoe County is a non-profit organization incorporated without share capital under the laws of the Province of Ontario. The organization provides counselling services to those who could not otherwise afford these services in Simcoe County, Ontario.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	<p>The Organization follows the deferral method of accounting for contributions which includes donations and grants.</p> <p>Unrestricted contributions consist of grants, donations and fundraising revenue and are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.</p> <p>Restricted net investment income is recognized as revenue in the year in which the related expenses are incurred as a direct increase in net assets. Unrestricted net investment income is recognized as revenue when earned.</p> <p>Externally restricted contributions are recognized in revenue in the year in which the related expenses are recognized.</p> <p>Client fees and purchased services are recognized once services have been provided.</p> <p>Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance rate corresponding with the amortization rate for the related capital assets.</p> <p>Rental income is recorded in the period earned.</p>

Catholic Family Services of Simcoe County

Notes to Financial Statements

For the year ended December 31, 2019

1. Significant Accounting Policies (continued)

Tangible Capital Assets Purchased tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution.

Amortization based on the estimated useful life of the asset is calculated as follows:

Computer equipment	30% declining balance basis
Computer software	20% declining balance basis
Furniture and equipment	20% declining balance basis
Leasehold improvements	6 years straight line basis

Impairment of Long Lived Assets In the event that facts and circumstances indicate that the Organization's long lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow is required. The Organization considers that no circumstances exist that would require such an evaluation.

Employee Future Benefits The Organization participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the Organization accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

Income Taxes The Organization is not subject to federal or provincial income taxes pursuant to exemptions accorded to registered charities in the income tax legislation.

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 revenue and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the useful life of capital assets and the valuation of other assets and liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

Catholic Family Services of Simcoe County Notes to Financial Statements

For the year ended December 31, 2019

1. Significant Accounting Policies (continued)

Financial Instruments Financial Instruments are recorded at fair value at initial recognition. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealised gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. Cash

The Organization's bank accounts are held at a Canadian chartered bank. The bank account earns interest at a variable rate dependent on the monthly minimum balance.

3. Restricted Investments

The carrying amounts of investments are comprised of the following:

	2019	2018
TD Security GIC Plus, interest at 1.17%, interest paid when redeemed, due August 29, 2019	\$ -	\$ 5,539
TD Special Offer GIC, interest at 2.05%, interest paid when redeemed, due August 17, 2019	-	156,518
TD Security GIC Plus, interest at 0.29%, interest paid when redeemed, due February 17, 2019	-	50,422
RBC Non Redeemable GIC, interest at 2.50%, interest paid when redeemed, due September 24, 2020	100,671	-
RBC Non Redeemable GIC, interest at 2.50%, interest paid when redeemed, due November 6, 2020	100,377	-
RBC Non Redeemable GIC, interest at 2.50%, interest paid when redeemed, due November 6, 2020	100,377	-
RBC Redeemable GIC, interest at 1.75%, interest paid monthly, due November 21, 2020	23,878	-
	\$ 325,303	\$ 212,479

Catholic Family Services of Simcoe County Notes to Financial Statements

For the year ended December 31, 2019

4. Accounts Receivable

	2019	2018
Accounts receivable	\$ 79,177	\$ 92,066
HST recoverable	18,764	19,299
	\$ 97,941	\$ 111,365

5. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 86,246	\$ 59,479	\$ 82,176	\$ 48,879
Computer software	74,218	27,912	22,767	22,767
Furniture and equipment	70,714	49,011	69,152	43,780
Leasehold improvements	10,307	8,997	10,307	7,350
	\$ 241,485	\$ 145,399	\$ 184,402	\$ 122,776
Net book value		\$ 96,086		\$ 61,626

6. Government Remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$23,683 (2018 - \$23,440).

Catholic Family Services of Simcoe County Notes to Financial Statements

For the year ended December 31, 2019

7. Deferred Contributions

Deferred contributions reported in the Fund represent restricted operating funding received in the current period that is related to expenses of a subsequent period. Changes in deferred contributions balance are as follows:

	2019	2018
Beginning balance	\$ 63,056	\$ 74,351
Contributions received	1,243,948	1,208,049
Amounts amortized to revenue	(1,307,004)	(1,219,344)
Ending balance	\$ -	\$ 63,056

8. Deferred Contributions Related to Capital Assets

Deferred contributions represent the unamortized portion of restricted contributions used in the purchase of certain capital assets. The amortization is recorded as revenue in the statement of operations.

	2019	2018
Balance, beginning of the year	\$ 1,582	\$ 1,982
Amounts amortized to revenue	(314)	(400)
Balance, end of the year	\$ 1,268	\$ 1,582

Catholic Family Services of Simcoe County Notes to Financial Statements

For the year ended December 31, 2019

9. Lease Commitments

The Organization operates from leased space in Alliston, Barrie, Bracebridge, Bradford, Collingwood, Huntsville, Midland and Orillia. These leases have varying expiry dates ranging between March 31, 2020 and December 31, 2023.

The minimum annual lease payments required under the terms of these leases for the next four fiscal years are as follows:

2020	\$	230,319
2021		209,226
2022		178,685
2023		<u>22,257</u>
	\$	<u>640,487</u>

10. Pension Plan

The Organization makes contributions to a defined benefit pension plan administered by Catholic Charities of the Archdiocese of Toronto, which is a multi-employer plan, on behalf of members of its staff. The plan specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Organization is only one of a number of employers that participates in the plan and the financial information provided to the Organization on the basis of the contractual agreements is usually insufficient to reliably measure the Organization's proportionate share in the plan assets and liabilities on defined benefit accounting requirements.

The amount contributed to the plan for 2019 was \$32,811 (2018 - \$21,419). The contributions were made for current service and these have been recognized in net income.

Catholic Family Services of Simcoe County Notes to Financial Statements

For the year ended December 31, 2019

11. Internally Restricted Funds

The Reserve Fund has been established to cover approximately three months of operating expenses in the event of cash difficulties. The Board of Directors and the Executive Director have discretion over the use of these funds.

On January 20, 2015, the Board passed a motion to change the Endowment Fund to a Restricted Fund for the purpose of staff development. The Endowment Fund consisted of contributions from the Board. The Board of Directors and the Executive Director have discretion over the use of these funds.

The North Simcoe Community Fund was established as a result of the disposal of the Organization's Midland location in 2014. Under the Organization's amalgamation agreement dated March 4, 2008, in the event that the property described above was sold, the net proceeds of the sale would be used for the benefit of the North Simcoe Community (Midland, Penetanguishene, Christian Island, and the Townships of Tiny and Tay). It is up to the discretion of the Board of Directors as to how much of the gain will be transferred to the general fund each year up to the maximum of total expenditures on programs in the North Simcoe Community for the year. In the current year, the net expenditures on programs within the North Simcoe Community amount to \$59,557 (2018 - \$48,515). The Board of Directors approved a transfer of \$53,784 from the North Simcoe Community fund to the general fund for 2019.

12. North Simcoe Community Fund Transfer

During the 2018 audit it was determined that the deferred gain on disposal of asset in the amount of \$73,785 at December 31, 2017 representing the gain on sale of the Organization's Midland location should have been recorded as an internally restricted fund balance. As a result, the deferred contribution balance and net assets were restated in the prior year to reflect this adjustment for the year ended December 31, 2017.

As part of the 2019 Budget the Board had approved the transfer of North Simcoe Community Funds in the amount of \$53,784 to the general fund in anticipation that this would offset the current year operating deficit on the Statement of Operations. However, as a result of the change in accounting identified during the 2018 financial statement audit this amount is now recorded as an internal fund transfer in the Statement of Changes in Net Assets.

13. Subsequent Events

The global pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of the business disruption and the related financial impact cannot reasonably be estimated at this time. The entity's ability to continue to meet lease and other obligations as they come due is dependent on the continued ability to generate earnings and cash flows, including the use of existing credit facilities.

Catholic Family Services of Simcoe County Notes to Financial Statements

For the year ended December 31, 2019

14. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts and contributions receivable. The majority of the Organization's receivables are from government sources and the Organization works to ensure it meets all eligibility criteria in order to qualify to receive the funding.

The Organization is also exposed to credit risk arising from all of its bank accounts being held at one financial institution and deposits are only insured up to \$100,000.

There have not been any changes in the risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Organization is exposed to this risk mainly in respect of its accounts payable.

The Organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Organization maintains a portion of its invested assets in liquid securities.

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 on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Organization to a fair value risk while the floating rate instruments subject it to a cash flow risk.

The Organization is exposed to changes in interest rates related to its investments in marketable securities. The Organization's primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. Treasury risk management policies specify various investment parameters including eligible types of investment, maximum maturity dates, maximum exposure by counterparties and maximum

Catholic Family Services of Simcoe County Notes to Financial Statements

For the year ended December 31, 2019

14. Financial Instruments (continued)
credit ratings.

The Organization mitigates interest rate risk on investments by diversifying the durations of the fixed-income investments that are held at a given time.

There have not been any changes in the risk from the prior year.
