HALTON MULTICULTURAL COUNCIL INC.

FINANCIAL STATEMENTS

AS AT

MARCH 31, 2019

Contents

GLENN • GRAYDON • WRIGHT LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Halton Multicultural Council Inc.

Qualified Opinion
We have audited the financial statements of Halton Multicultural Council Inc. ("the Council") which comprise the balance sheet as at March 31, 2019, and the statements of fund balances, revenue and expenditure, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects 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 March 31, 2019, and its results of operations 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 charitable organizations, the Council derives revenue from third party fund raising events, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Council and we were not able to determine whether any adjustments might be necessary to miscellaneous revenue, fund balances or cash and cash equivalents for the years ended March 31, 2019 and March 31, 2018. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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 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 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.

JOHN R. NUNNIKHOVEN, CPA, CA   ANTHONY FALCO, CPA, CA   ATIF AKHTAR, CPA, CA   CHRISTOPHER TAYLOR, CPA, CA
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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT, continued

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

Glenn Graydon Wright LLP

Chartered Professional Accountants
Licensed Public Accountants
Oakville, Ontario
June 18, 2019

HALTON MULTICULTURAL COUNCIL INC.
(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)
Balance sheet
As at March 31, 2019

		2019	2018
Assets (Note 8)			
Current assets			
Cash and cash equivalents	$	416,835	318,059
Grants receivable		102,960	264,817
HST receivable		40,281	43,591
Current portion of loan receivable (Note 4)		3,000	-
Prepaid expenses		65,665	53,770
		628,741	680,237
Unrestricted property, plant and equipment (Notes 5, 10)			
At cost		1,442,890	1,641,266
Less accumulated amortization		605,135	761,955
		837,755	879,311
Restricted property, plant and equipment (Notes 6, 7)			
At cost		576,158	571,973
Less accumulated amortization		500,666	472,805
		75,492	99,168
Loan receivable (Note 4)		8,000	-
Incorporation costs		100	100
	$	1,550,088	1,658,816
Liabilities and surplus			
Current liabilities			
Accounts payable and accrued liabilities	$	199,821	202,503
Deferred grants – operations (Note 9(a))		45,077	37,130
Current portion of long-term debt (Note 10)		3,334	71,864
		248,232	311,497
Deferred grants – property, plant and equipment (Notes 9(b), 10)		522,705	556,271
Long-term liabilities			
Long-term debt (Note 10)		33,602	37,188
		804,539	904,956
Fund balances			
Operating fund (Note 11)		391,843	440,604
Property, plant and equipment fund (Note 11)		353,706	313,256
		745,549	753,860
	$	1,550,088	1,658,816

Contingent liabilities (Note 12)

Approved by the Board

Director

Director

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HALTON MULTICULTURAL COUNCIL INC.
(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)
Statement of changes in fund balances
For the year ended March 31, 2019

		Operating fund	Property, plant and equipment fund	Total 2019	Total 2018
Fund balances, beginning of year	$	440,604	313,256	753,860	554,729
Excess of revenue over expenditure for year		134,803	-	134,803	278,490
Federal grants – property, plant and equipment		-	33,566	33,566	33,566
Amortization of property, plant and equipment		-	(173,919)	(173,919)	(108,256)
Allocation of interest on long-term debt		-	(2,761)	(2,761)	(4,669)
Purchase of property, plant and equipment		(108,687)	108,687	-	-
Net repayment of long-term debt and interest on long-term debt		(74,877)	74,877	-	-
Fund balances, end of year	$	391,843	353,706	745,549	753,860

HALTON MULTICULTURAL COUNCIL INC.

(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)
Statement of revenue and expenditure
For the year ended March 31, 2019

		2019	2018
Revenue			
Federal grants	$	3,243,185	3,250,135
Newcomer settlement program (Note 13)		113,023	113,023
Other grants		819,100	252,975
Fees		329,328	375,401
Rent		99,913	229,767
Miscellaneous revenue		70,810	87,748
		4,675,359	4,309,049
Expenditure			
Advertising		4,213	705
Amortization		173,919	108,256
Equipment rental		23,128	21,191
Events		21,843	50,072
HST expense		38,426	33,827
Insurance		11,811	11,730
Interest and bank charges		13,331	17,554
Interest on long-term debt		2,761	4,669
Meetings and workshops		26,379	27,024
Membership fees		7,791	7,609
Office		7,494	7,409
Professional fees		11,355	3,220
Program		505,064	373,230
Rent		491,193	462,173
Repairs and maintenance		66,236	74,530
Salaries and benefits		3,147,097	2,760,227
Telephone and internet		57,528	58,178
Travel		32,017	47,427
Utilities		42,084	40,887
		4,683,670	4,109,918
Excess of (expenditure over revenue) revenue over expenditure for year		(8,311)	199,131
Allocation of Federal grants to property, plant and equipment fund		(33,566)	(33,566)
Allocation of amortization to property, plant and equipment fund		173,919	108,256
Allocation of interest on long-term debt to property, plant and equipment fund		2,761	4,669
Excess of revenue over expenditure for year – operating fund	$	134,803	278,490

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HALTON MULTICULTURAL COUNCIL INC.

(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)
Statement of cash flows
For the year ended March 31, 2019

		2019	2018
Cash flows from (used in) operating activities			
Excess of (expenditure over revenue) revenue over expenditure for year	$	(8,311)	199,131
Adjustments for			
Amortization of unrestricted property, plant and equipment		146,058	82,313
Amortization of restricted property, plant and equipment		27,861	25,943
		165,608	307,387
Changes in non-cash working capital			
Decrease in grants receivable		161,857	117,536
Decrease (increase) in HST receivable		3,310	(1,130)
(Increase) decrease in prepaid expenses		(11,895)	4,053
Decrease accounts payable and accrued liabilities		(2,682)	(11,462)
Increase (decrease) in deferred grants – operations		7,947	(16,539)
Cash flows from operating activities		324,145	399,845
Cash flows from (used in) investing activities			
Acquisition of unrestricted property, plant and equipment		(104,502)	(44,151)
Acquisition of restricted property, plant and equipment		(4,185)	(56,289)
Loan receivable		(11,000)	-
Cash flows used in investing activities		(119,687)	(100,440)
Cash flows from (used in) financing activities			
Decrease in deferred grants – property, plant and equipment		(33,566)	(33,566)
Repayment of long-term debt		(72,116)	(10,018)
Cash flows used in financing activities		(105,682)	(43,584)
Net increase in cash during year		98,776	255,821
Cash and cash equivalents, beginning of year		318,059	62,238
Cash and cash equivalents, end of year	$	416,835	318,059

HALTON MULTICULTURAL COUNCIL INC.
(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)
Notes to financial statements
As at March 31, 2019

1. Purpose of the Council

Halton Multicultural Council Inc. (the "Council") is a non-profit organization incorporated without share capital. It is a community agency dedicated to enabling every individual, regardless of racial or ethnic origin, to participate as a full and creative member of the Halton community through fostering mutual respect and understanding of one another.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies where alternatives are available:

a) Management estimates

The preparation of the financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

b) Basis of accounting

The Council follows the deferral method of accounting for contributions.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

d) Property, plant and equipment – unrestricted and restricted

Property, plant and equipment are recorded at acquisition cost. Amortization is recorded in the accounts at rates intended to write off the cost of the assets over their estimated useful life. In the year of acquisition, property, plant and equipment are amortized at one-half of the normal rate. Restricted property, plant and equipment are purchased for specific projects using monies specified by the supporting agency. At the end of the project, the assets are disposed of according to the supporting agency's directions. Methods and rates used are:

Buildings
Straight-line basis over 25 years

Computer equipment
30% and 100% diminishing balance basis

Office equipment and furniture
20% diminishing balance basis

Leasehold improvements
Straight-line basis over the remaining term of the lease

HALTON MULTICULTURAL COUNCIL INC.
(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)
Notes to financial statements
As at March 31, 2019

2. Significant accounting policies – continued

e) Revenue recognition

Operations

Grants are recognized as revenue in the year in which the related expenses are incurred and in the year specified in the terms and conditions of each respective grant.

Fees are recognized as revenue once the service has been provided and collection is reasonably assured.

Rental and miscellaneous revenues are recognized when received.

Capital

Deferred grants are recognized as revenue over the useful life of the related asset.

f) Contributed materials and services

The value of contributed materials and services is not reflected in these financial statements.

3. Financial instruments

a) Fair value

The Council initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The entity subsequently measures all its financial assets and financial liabilities at cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

b) 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 underlying market factors. The Council is exposed to interest rate risk and credit risk.

i) 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 Council's loan receivable and long-term debt bear interest at fixed rates or are non-interest bearing. Consequently, the cash flow risks are not significant. However, there is a risk of a change in fair value on this part of the asset and debt, respectively.

3. **Financial instruments** – continued

b) **Market risk** - continued

ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation.

The Council is subject to credit risk. 20% of year end grants receivable is from one customer (2018 - 55% from one customer). To mitigate this, the Council actively manages and monitors its receivables and obtains security where warranted. Bad debt experience has not been significant.

c) **Liquidity risk**

Liquidity risk is the risk that the Council cannot meet a demand for cash or fund its obligations as they come due. Unless otherwise noted, the Council is not subject to significant liquidity risk. The Council manages liquidity risk by:

- maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements.
- having committed borrowing facilities or other lines of credit that it can access to meet liquidity needs.

4. **Loan receivable**

		2019
Loan receivable, unsecured, non-interest bearing, receivable in monthly payments of $500 to July 2021	$	11,000
Less current portion		3,000
	$	8,000

5. **Unrestricted property, plant and equipment**

		2019 Cost	2019 Accumulated amortization	2019 Net	2018 Net
Buildings	$	1,003,000	384,860	618,140	658,262
Office equipment and furniture		165,954	74,389	91,565	55,914
Computer equipment		73,470	57,121	16,349	2,270
Leasehold improvements		200,466	88,765	111,701	162,865
	$	1,442,890	605,135	837,755	879,311

Amortization recorded during the year amounted to $146,058 (2018 - $82,313).

During the year, unrestricted property, plant and equipment were acquired for cash at an aggregate cost of $104,502.

HALTON MULTICULTURAL COUNCIL INC.
(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)
Notes to financial statements
As at March 31, 2019

6. Restricted property, plant and equipment

		2019			2018
		Cost	Accumulated amortization	Net	Net
Office equipment and furniture	$	187,111	166,971	20,140	25,174
Computer equipment		389,047	333,695	55,352	73,994
	$	576,158	500,666	75,492	99,168

Amortization recorded during the year amounted to $27,861 (2018 - $25,943).

During the year, restricted property, plant and equipment were acquired for cash at an aggregate cost of $4,185.

7. Immigration, Refugee and Citizenship Canada programs

Immigration, Refugee and Citizenship Canada has made hardware and software equipment available to the Council for the purposes of the Developing English Language Skills for Newcomers in Halton and Creating a Welcoming Community in Halton programs. The government may at any time during the projects or at the cessation of the projects, transfer title of ownership to the Council. If at any time the Council gains title to the assets, the fair market value of the assets, at the time title is transferred, will be recorded in the Council's records.

During the use of the computer equipment for the listed programs, the Council is required to insure the assets as program expenses.

8. Bank indebtedness

A portion of bank indebtedness is secured by a registered general security agreement covering all assets of the Council. The Council has an authorized line of credit of $300,000 at a rate of bank prime plus 1.4% per annum, which remained unused as at March 31, 2019.

9. Deferred grants

a) Operations

		2019	2018
Balance, beginning of year	$	37,130	53,668
Contributions received for future expenses		568,613	28,608
Recognized as other grants and miscellaneous revenue		(560,666)	(45,146)
Balance, end of year	$	45,077	37,130

b) Property, plant and equipment

		2019	2018
Balance, beginning of year	$	556,271	589,837
Recognized as other grants		(33,566)	(33,566)
Balance, end of year	$	522,705	556,271

HALTON MULTICULTURAL COUNCIL INC.
(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)
Notes to financial statements
As at March 31, 2019

10. Long-term debt

		2019	2018
Loan bearing interest at 4.41% per annum, repayable in monthly blended payments of $409 to May 2020, secured by collateral mortgage, insurance and building	$	36,936	40,148
Loan bearing interest at 4.08% per annum, repayable in monthly blended payments of $425 to April 2018, secured by collateral mortgage, insurance and building, repaid during the year		-	41,263
Loan bearing interest at 4.1% per annum, repayable in monthly blended payments of $396 to November 2018 secured by collateral mortgage, insurance and building			27,641
repaid during the year		-	27,641
		36,936	109,052
Less current portion		3,334	71,864
	$	33,602	37,188

Interest expense related to long-term debt amounted to $2,761 during the year.

Principal repayments required during future fiscal years are:

2020	$	3,334
2021		33,602
	$	36,936

11. Fund accounting

The operating fund accounts for the Council's program delivery, administrative activities and general operations.

The property, plant and equipment fund represents the net book value of restricted and unrestricted property, plant and equipment and other long-term assets, net of deferred grants and long-term debt. Transfers to this fund are for the acquisition of property, plant and equipment and the repayment of long-term debt.

12. Contingent liabilities

The Council received three loans in prior years to assist with the purchase of buildings which are unsecured, non-interest bearing and repayable in 2021. Provided that there is no event of default before the anniversary date, the loans will be automatically forgiven. The Council has accounted for each loan as a deferred grant and has amortized them into income over the estimated useful life of the buildings.

HALTON MULTICULTURAL COUNCIL INC.
(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)
Notes to financial statements
As at March 31, 2019

13. Newcomer settlement program

The revenue and expenditure for the newcomer settlement program are:

		2019	2018
Revenue	$	113,023	113,023
Expenditure			
Staff salaries		78,145	75,042
Benefits		13,750	14,564
Program costs		4,231	8,675
Administration		16,897	14,742
		113,023	113,023
Excess of expenditure over revenue	$	Nil	Nil

14. Transfers

Transfers represent reallocations within the fund balances of the Council. Transfers between the operating fund and the property, plant and equipment fund are based on the discretion of the Board of Directors in order to repay principal amounts and interest charged on long-term debt.

15. Operating lease commitments

Future minimum rental payments required under operating leases that have initial terms in excess of one year are:

2020	$	289,481
2021		103,704
2022		113,862
2023		72,701
2024		32,793
	$	612,541

16. Income taxes

The Council is a registered charity and is therefore exempt from income taxes under Section 149(1)(f) of the Income Tax Act.

17. Economic dependence

During the year, approximately 69% of the Council's grants was received by one program. Outstanding grants receivable due from this program at March 31, 2019 accounted for approximately 20% of the total grants receivable. The continued viability of the Council's existence is dependent on future funding received from this program.