

HALTON MULTICULTURAL COUNCIL INC.

FINANCIAL STATEMENTS

AS AT

MARCH 31, 2020

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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, 2020, 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, 2020, 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, 2020 and March 31, 2019. Our audit opinion on the financial statements for the year ended March 31, 2019 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.



GLENN • GRAYDON • WRIGHT LLP
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 16, 2020

HALTON MULTICULTURAL COUNCIL INC.

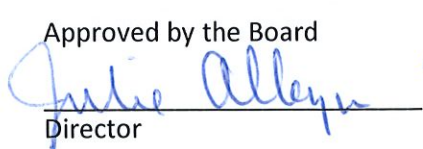
(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)

Balance sheet**As at March 31, 2020**

	2020	2019
Assets (Note 8)		
Current assets		
Cash and cash equivalents	\$ -	416,835
Grants receivable	264,157	102,960
HST receivable	33,166	40,281
Current portion of loan receivable (Note 4)	3,000	3,000
Prepaid expenses	60,604	65,665
	360,927	628,741
Unrestricted property, plant and equipment (Notes 5, 8, 10)		
At cost	1,845,002	1,442,890
Less accumulated amortization	696,745	605,135
	1,148,257	837,755
Restricted property, plant and equipment (Notes 6, 7)		
At cost	578,254	576,158
Less accumulated amortization	521,613	500,666
	56,641	75,492
Loan receivable (Note 4)	7,250	8,000
Incorporation costs	100	100
	\$ 1,573,175	1,550,088
Liabilities and surplus		
Current liabilities		
Bank indebtedness (Note 8)	\$ 65,287	-
Accounts payable and accrued liabilities	167,876	199,821
Deferred grants – operations (Note 9(a))	37,390	45,077
Current portion of long-term debt (Note 10)	3,497	3,334
	274,050	248,232
Deferred grants – property, plant and equipment (Notes 9(b), 10)	489,139	522,705
Long-term liabilities		
Long-term debt (Note 10)	30,102	33,602
	793,291	804,539
Fund balances		
Operating fund (Note 11)	97,624	391,843
Property, plant and equipment fund (Note 11)	682,260	353,706
	779,884	745,549
	\$ 1,573,175	1,550,088

Contingent liabilities (Note 12)

Approved by the Board



Director



Director


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, 2020**

		Operating fund	Property, plant and equipment fund	Total 2020	Total 2019
Fund balances, beginning of year	\$	391,842	353,706	745,549	753,860
Excess of revenue over expenditure for year		114,898	-	114,898	134,803
Federal grants – property, plant and equipment		-	33,566	33,566	33,566
Amortization of property, plant and equipment		-	(112,558)	(112,558)	(173,919)
Allocation of interest on long-term debt		-	(1,571)	(1,571)	(2,761)
Purchase of property, plant and equipment		(404,209)	404,209	-	-
Net repayment of long-term debt and interest on long-term debt		(4,908)	4,908	-	-
Fund balances, end of year	\$	97,624	682,260	779,884	745,549



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, 2020**

	2020	2019
Revenue		
Federal grants	\$ 3,243,034	3,243,185
Newcomer settlement program (Note 13)	113,023	113,023
Other grants	932,829	819,100
Fees	397,482	329,328
Rent	109,871	99,913
Miscellaneous revenue	81,285	70,810
	4,877,524	4,675,359
Expenditure		
Advertising	3,092	4,213
Amortization	112,558	173,919
Equipment rental	21,975	23,128
Events	24,968	21,843
HST expense	31,915	38,426
Insurance	11,001	11,811
Interest and bank charges	13,368	13,331
Interest on long-term debt	1,571	2,761
Meetings and workshops	23,469	26,379
Membership fees	8,150	7,791
Office	6,424	7,494
Professional fees	9,900	11,355
Program	490,326	505,064
Rent	508,120	491,193
Repairs and maintenance	69,806	66,236
Salaries and benefits	3,382,787	3,147,097
Telephone and internet	47,225	57,528
Travel	37,352	32,017
Utilities	39,182	42,084
	4,843,189	4,683,670
Excess of revenue over expenditure		
(expenditure over revenue) for year	34,335	(8,311)
Allocation of Federal grants to property, plant and equipment fund	(33,566)	(33,566)
Allocation of amortization to property, plant and equipment fund	112,558	173,919
Allocation of interest on long-term debt to property, plant and equipment fund	1,571	2,761
Excess of revenue over expenditure for year – operating fund	\$ 114,898	134,803



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, 2020**

	2020	2019
Cash flows from (used in) operating activities		
Excess of (expenditure over revenue)		
revenue over expenditure for year	\$ 34,335	(8,311)
Adjustments for		
Amortization of unrestricted property, plant and equipment	91,610	146,058
Amortization of restricted property, plant and equipment	20,948	27,861
	146,893	165,608
Changes in non-cash working capital		
(Increase) decrease in grants receivable	(161,197)	161,857
Decrease in HST receivable	7,115	3,310
Decrease (increase) in prepaid expenses	5,061	(11,895)
Decrease accounts payable and accrued liabilities	(31,945)	(2,682)
(Decrease) increase in deferred grants – operations	(7,687)	7,947
Cash flows from (used in) operating activities	(41,760)	324,145
Cash flows from (used in) investing activities		
Acquisition of unrestricted property, plant and equipment	(402,112)	(104,502)
Acquisition of restricted property, plant and equipment	(2,097)	(4,185)
Increase (decrease) in loan receivable	750	(11,000)
Cash flows from (used in) investing activities	(403,459)	(119,687)
Cash flows from (used in) financing activities		
Decrease in deferred grants – property, plant and equipment	(33,566)	(33,566)
Repayment of long-term debt	(3,337)	(72,116)
Cash flows from (used in) financing activities	(36,903)	(105,682)
Net (decrease) increase in cash and cash equivalents during year	(482,122)	98,776
Cash and cash equivalents, beginning of year	416,835	318,059
(Bank indebtedness) cash and cash equivalents, end of year	\$ (65,287)	416,835



HALTON MULTICULTURAL COUNCIL INC.

(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)

Notes to financial statements

As at March 31, 2020

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, 2020

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.



HALTON MULTICULTURAL COUNCIL INC.

(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)

Notes to financial statements**As at March 31, 2020****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. 65% of year end grants receivable is from one customer (2019 - 20% 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

	2020	2019
Loan receivable, unsecured, non-interest bearing, receivable in monthly payments of \$250 to September 2022	\$ 10,250	11,000
Less current portion	<u>3,000</u>	<u>3,000</u>
	<u>\$ 7,250</u>	<u>8,000</u>

5. Unrestricted property, plant and equipment

		2020		2019
	Cost	Accumulated amortization	Net	Net
Buildings	\$ 1,369,764	432,315	937,449	618,140
Office equipment and furniture	165,954	92,702	73,252	91,565
Computer equipment	85,466	63,825	21,641	16,349
Leasehold improvements	<u>223,818</u>	<u>107,903</u>	<u>115,915</u>	<u>111,701</u>
	<u>\$ 1,845,002</u>	<u>696,745</u>	<u>1,148,257</u>	<u>837,755</u>

Amortization recorded during the year amounted to \$91,610 (2019 - \$146,058).

During the year, unrestricted property, plant and equipment were acquired for cash at an aggregate cost of \$402,112.



HALTON MULTICULTURAL COUNCIL INC.

(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)

Notes to financial statements**As at March 31, 2020****6. Restricted property, plant and equipment**

		2020		2019
		Cost	Accumulated amortization	Net
Office equipment and furniture	\$	187,111	170,999	16,112
Computer equipment		391,143	350,614	40,529
	\$	578,254	521,613	56,641
				20,140
				55,352
				75,492

Amortization recorded during the year amounted to \$20,948 (2019 - \$27,861).

During the year, restricted property, plant and equipment were acquired for cash at an aggregate cost of \$2,097.

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

Bank indebtedness is secured by a registered general security agreement covering all assets of the Council, and collateral mortgages totaling \$180,000 against certain buildings. The Council has an authorized line of credit totaling \$300,000 at a rate of bank prime plus 1.4% per annum, of which \$265,000 remained unused at year end. The Council has a secondary authorized line of credit in the amount of \$300,000 at a rate of bank prime plus 1.4% that is available from April to July each fiscal year. This line of credit remained unused at year end.

9. Deferred grants

		2020	2019
a) Operations			
Balance, beginning of year	\$	45,077	37,130
Contributions received for future expenses		785,035	568,613
Recognized as other grants and miscellaneous revenue		(792,722)	(560,666)
Balance, end of year	\$	37,390	45,077



HALTON MULTICULTURAL COUNCIL INC.

(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)

Notes to financial statements**As at March 31, 2020****9. Deferred grants – continued****b) Property, plant and equipment**

Balance, beginning of year	\$	522,705	556,271
Recognized as other grants		(33,566)	(33,566)
Balance, end of year	\$	<u>489,139</u>	<u>522,705</u>

10. Long-term debt

		2020	2019
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	\$	33,599	36,936
Less current portion		<u>3,497</u>	<u>3,334</u>
	\$	<u>30,102</u>	<u>33,602</u>

Interest expense related to long-term debt amounted to \$1,571 during the year.

Principal repayments required during future fiscal years are:

2021	\$	3,497
2022		3,654
2023		3,818
2024		3,990
2025		4,170
Thereafter		<u>14,470</u>
	\$	<u>33,599</u>

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.

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Notes to financial statements

As at March 31, 2020

13. Newcomer settlement program

The revenue and expenditure for the newcomer settlement program are:

	2020	2019
Revenue	\$ 113,023	113,023
Expenditure		
Staff salaries	75,209	78,145
Benefits	16,177	13,750
Program costs	4,740	4,231
Administration	16,897	16,897
	<u>113,023</u>	<u>113,023</u>
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:

2021	\$ 492,180
2022	500,618
2023	465,732
2024	425,175
2025	<u>256,475</u>
	<u>\$ 2,140,180</u>

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 66% of the Council's grants was received by one program. Outstanding grants receivable due from this program at March 31, 2020 accounted for approximately 65% of the total grants receivable. The continued viability of the Council's existence is dependent on future funding received from this program.



HALTON MULTICULTURAL COUNCIL INC.**(Incorporated under the Corporations Act of Ontario as a Non-Profit Organization)****Notes to financial statements****As at March 31, 2020**

18. Subsequent event

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the organization in future periods.

