

**CATHOLIC CROSS-CULTURAL SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2017**

CATHOLIC CROSS-CULTURAL SERVICES

Financial Statements
March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Catholic Cross-Cultural Services

We have audited the accompanying financial statements of Catholic Cross-Cultural Services, which comprise the statement of financial position as at March 31, 2017, and the statements of unrestricted net funds, internally restricted reserve funds, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's 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 auditor's 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 auditor considers internal control relevant to the organization'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 organization'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Catholic Cross-Cultural Services as at March 31, 2017, 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.

Akler, Browning, Frimet
& Landzberg LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Canada
July 20, 2017

CATHOLIC CROSS-CULTURAL SERVICES

Statement of Financial Position

March 31, 2017

	2017	2016
Assets		
Current		
Cash	\$ 243,806	\$ 687,273
Government grants receivable	818,714	972,853
Prepays and deposits	311,084	276,436
HST rebate receivable	108,873	159,287
Total Current	1,482,477	2,095,849
Property and equipment (note 2)	157,522	-
Total Assets	\$ 1,639,999	\$ 2,095,849
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 694,640	\$ 1,107,472
Deferred contributions	180,140	180,164
Government remittances payable	15,730	88,381
Total Liabilities	890,510	1,376,017
Fund Balances		
Unrestricted Net Funds	328,807	299,150
Internally Restricted Reserve Funds	420,682	420,682
Total Fund Balances	749,489	719,832
Total Liabilities and Fund Balances	\$ 1,639,999	\$ 2,095,849

Approved on behalf of the Board:

Stephen Perin Director
July 20, 2017 Date

[Signature] Director

CATHOLIC CROSS-CULTURAL SERVICES
Statement of Unrestricted Net Funds
Year ended March 31, 2017

	2017	2016
Balance, beginning of year	\$ 299,150	\$ 280,665
Add		
Excess of revenues over expenditures	29,657	18,485
Balance, end of year	\$ 328,807	\$ 299,150

Statement of Internally Restricted Reserve Funds
Year ended March 31, 2017

	2017	2016
Balance, beginning and end of year	\$ 420,682	\$ 420,682

CATHOLIC CROSS-CULTURAL SERVICES

Statement of Operations Year ended March 31, 2017

	Toronto Region	Peel Region	Central Admin	2017	2016
Revenues					
IRCC - Welcoming Communities	\$ 3,206,990	\$ -	\$ -	\$ 3,206,990	\$ 3,287,038
IRCC - Language and Skills Development	1,608,277	1,492,881	-	3,101,158	2,994,074
IRCC - Orientation	-	1,638,895	-	1,638,895	1,439,016
IRCC - RSTP	938,135	-	-	938,135	694,831
IRCC- Labour Market Access Ministry of Citizenship and Immigration - NSP	275,469	168,449	-	443,918	621,563
IRCC - LIP	338,474	80,747	-	419,221	196,266
Ministry of Community and Social Services - VAW	350,000	-	-	350,000	380,000
Earned income	-	278,299	-	278,299	278,299
Pay Equity revenue	122,591	42,186	43,053	207,830	176,865
Catholic Charities	95,672	76,420	29,591	201,683	201,683
City of Toronto	63,713	88,111	38,444	190,268	190,267
United Way Peel Region	125,826	-	16,879	142,705	446,678
Regional Municipality of Peel	-	131,426	-	131,426	129,791
HRSDC	-	46,264	-	46,264	21,535
Donations	43,528	-	-	43,528	37,220
Ontario Trillium Foundation	80	1,140	1,626	2,846	8,235
MEDTE (Culinary Training)	2,763	-	-	2,763	243,009
Lifeline Syria	-	-	-	-	47,226
Prosper Canada	-	-	-	-	40,248
COSTI (International Student Program)	-	-	-	-	26,112
	7,171,518	4,044,818	129,593	11,345,929	11,474,821
Expenditures					
Wages	4,100,629	2,316,301	608,467	7,025,397	6,627,037
Building occupancy	866,114	733,175	14,946	1,614,235	1,509,226
Employee benefits	850,135	504,444	106,297	1,460,876	1,416,589
Program and central administration allocation	453,751	239,904	-	693,655	622,334
Program expenses	544,954	67,390	17	612,361	681,760
Office and general	179,488	66,637	31,788	277,913	350,492
Equipment lease and purchase	84,513	99,432	22,136	206,081	229,999
Staff travel	62,386	8,576	-	70,962	64,509
Promotion and publicity	18,042	811	2,455	21,308	17,010
Purchased services	10,079	7,546	612	18,237	21,480
Training and conferences	1,427	602	6,873	8,902	14,174
Mornell Hub Renovation	-	-	-	-	524,060
Absorbed by departments	-	-	(693,655)	(693,655)	(622,334)
	7,171,518	4,044,818	99,936	11,316,272	11,456,336
Excess of revenues over expenditures	\$ -	\$ -	\$ 29,657	\$ 29,657	\$ 18,485

CATHOLIC CROSS-CULTURAL SERVICES
Statement of Cash Flows
Year ended March 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 29,657	\$ 18,485
Net change in non-cash working capital items		
Government grants receivable	154,139	(864,934)
Prepays and deposits	(34,648)	(3,882)
HST rebate receivable	50,414	(36,669)
Accounts payable and accrued liabilities	(412,832)	418,908
Deferred contributions	(24)	(32,944)
Government remittances payable	(72,651)	26,370
	(315,602)	(493,151)
Cash Used in Operating Activities	(285,945)	(474,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(157,522)	-
Cash Used in Investing Activities	(157,522)	-
Net decrease in cash	(443,467)	(474,666)
Cash, beginning of year	687,273	1,161,939
Cash, end of year	\$ 243,806	\$ 687,273

CATHOLIC CROSS-CULTURAL SERVICES

Notes to the Financial Statements

March 31, 2017

NATURE OF OPERATIONS

Catholic Cross-Cultural Services is a registered charity dedicated to providing immigrants and refugees with the skills and assistance to succeed in their new environment.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting by which resources for various purposes are classified for accounting and reporting purposes into funds relating to the specific activities and operations. These funds are as follows:

(i) Unrestricted net funds

This fund accounts for the funding received and the expenses incurred for general operations. This represents net unrestricted funds available to the organization.

(ii) Restricted funds

This fund is an internally restricted fund established by the board of directors. The funds are to be used in accordance with specific parameters established by the board of directors. Transfers into the fund are determined annually by the board of directors based on available excess funds generated by general operations.

(b) Revenue recognition

The organization uses the deferral method of accounting for its revenue contributions, in which restricted contributions related to expenditures of future periods are deferred and recognized as revenue in the period in which the related expenditures are incurred. Earned income and other income are recorded on the accrual basis.

(c) Allocated expenses

The organization engages in immigration services, language development and employment and training services. The cost of each program includes the costs of personnel and other expenses that are directly related to providing the services. The organization also incurs other expenses that are common to the management and operations of the organization and each of its programs.

The organization allocates certain of its administration expenses, salaries and employee benefits, professional fees, insurance, rent, telephone and advertising by identifying the appropriate basis of allocating each component expense, and applies the basis consistently each year according to the contracts with the Federal, Provincial and Municipal governments. These costs are included in the expenses and/or recoveries between programs.

CATHOLIC CROSS-CULTURAL SERVICES

Notes to the Financial Statements

March 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash, government grants receivable, HST rebate receivable and sundry receivables.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

The organization has not designated any financial asset or financial liability to be measured at fair value.

Impairment

For financial assets measured at amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenditures.

(e) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenditures for the period covered. The main estimates relate to the impairment of financial assets.

2. PROPERTY AND EQUIPMENT

The property and equipment relates to leasehold improvements made at 2206 Eglinton Ave East. The leasehold improvements are being made in order to prepare the location to operate ongoing programs. Leasehold improvements were still being completed as at March 31, 2017 therefore the location was not available for use. It is anticipated that the location will be fully operational in early fiscal 2018 at which time amortization of the leasehold improvements over the remaining term of the lease will commence. The landlord has agreed to reimburse the organization for a portion of the amount spent. Any amounts received will be recorded as a lease inducement and also amortized over the remaining term of the lease.

CATHOLIC CROSS-CULTURAL SERVICES

Notes to the Financial Statements

March 31, 2017

3. PAY EQUITY

The organization is partially funded by the Ontario Provincial Government and therefore qualifies for the Pay Equity Program. During the year ended March 31, 2017 the organization received from the Ministry of Citizenship and Immigration \$119,933 (2016 - \$119,933), towards this program. During the same period, the organization received \$81,750 (2016 - \$81,750) from the Ministry of Community and Social Services.

4. PENSION PLAN

The organization participates in a multiemployer defined benefit pension plan, administered by Catholic Charities, for seven of its full time employees who have qualified under the grandfathering provisions. The plan provides pensions based on length of service and average earnings.

In accordance with Generally Accepted Accounting Principles the organization has accounted for their multiemployer pension plan as a defined contribution plan even though the plan is a defined benefit plan as sufficient information is not available to use defined benefit plan accounting.

Every three years the plan is required to have an actuarial valuation prepared. The last valuation was dated December 31, 2015 at which time it was determined the plan was in a deficit position and that the organization's required minimum amortization payment as a result of the deficit would be \$7,400 annually until the next valuation report is prepared. Payments to the organization's pension plan for the year ended March 31, 2017 inclusive of the minimum amortization payment was \$19,686 (2016 - \$17,502).

5. RESERVE FUNDS

The Board of Directors established an internally restricted moving reserve fund of \$80,000 to assist and meet moving and relocation expenses.

The Board of Directors has also established an employee group benefit reserve fund of \$5,000 to address potential shortfalls that may occur in the group plan for which the organization is responsible.

Immigration, Refugees and Citizenship Canada contracts can be terminated on three months notice. An internally restricted severance fund of \$335,682 has been established to offset the contingent liability for severance expense. If these contracts were to be terminated within the coming year the estimated severance liability would be approximately \$1,076,124.

6. BANK OPERATING LOAN

A demand operating loan to a maximum of \$1,000,000 is available to the organization. The operating loan bears interest at a rate of prime plus 1.5% per annum and is secured by a general security agreement covering all assets of the organization. As at March 31, 2017, the loan amounted to NIL.

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7. LEASE COMMITMENTS

The organization is obligated under several premises leases to minimum rentals (excluding certain occupancy charges and property taxes) as follows:

2018	\$ 1,182,836
2019	867,672
2020	543,970
2021	234,086
2022	71,877
	<hr/>
	\$ 2,900,441

The current leases in place are as follows:

		Minimum Annual Rental
60 West Drive Suite 110 Brampton, Ontario	July 31, 2019	\$ 7,746
2206 Eglinton Avenue East Units 124, 144 Toronto, Ontario	November 30, 2023	151,493
1200 Markham Road Units 111, 114, 215, 503 Scarborough, Ontario	October 31, 2017	149,480
8 Nelson Street West Units 206, 302, 305 Brampton, Ontario	July 31, 2018	164,782
3227 Eglinton Avenue East Unit 135 Scarborough, Ontario	August 29, 2018	202,500
4557 Hurontario Street Unit B11 Mississauga, Ontario	August 31, 2019	307,411
3660 Hurontario Street Suite 701 Mississauga, Ontario	August 31, 2020	261,708

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Notes to the Financial Statements

March 31, 2017

8. ECONOMIC DEPENDENCE

Approximately 85% (2016 - 82%) of revenues are derived from Immigration, Refugees and Citizenship Canada. Without this level of support the continued existence of the organization is unlikely.

9. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The organization's credit risk is mainly related to amounts due from government agencies. The credit risk is concentrated as 93% of year end government grants receivable is from one government agency (2016 - 61%).

(b) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect to its trade accounts payable. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations combined with the receipt of monthly grants from its funders.

(c) 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 market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization does not have significant exposure to any of these types of risk.
