

**PARKDALE COMMUNITY LEGAL SERVICES INC.**

**FINANCIAL STATEMENTS  
MARCH 31, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Directors of Parkdale Community Legal Services Inc.**

### **Qualified Opinion**

We have audited the accompanying financial statements of Parkdale Community Legal Services Inc. (the "Clinic") which comprise the statement of financial position as at March 31, 2021, and the statement of operations and funds balance and the 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Clinic as at March 31, 2021, 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 Clinic derives a portion of its revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded by the Clinic. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures, and assets and funds balance for the years ended March 31, 2021 and 2020.

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 on our report. We are independent of the Clinic 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 Clinic'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 Clinic or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Clinic'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 judgement 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 Clinic'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 Clinic'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 Clinic to cease to continue as a going concern.

Independent Auditor's Report

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- 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.

*Segal LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
September 3, 2021

**PARKDALE COMMUNITY LEGAL SERVICES INC.**

**STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2021**

	Directors' Fund	LAO General Fund	LAO Legal Disbursements Fund	LAO Capital Fund	2021 Total	2020 Total
<b>ASSETS</b>						
<b>Current assets</b>						
Cash	\$ -	\$ 1,023,895	\$ -	\$ -	\$ 1,023,895	\$ 505,055
Accounts receivable	-	1,168	-	-	1,168	16,384
Harmonized sales taxes receivable	-	12,986	-	-	12,986	40,995
Prepaid expenses	-	<u>23,972</u>	-	-	<u>23,972</u>	<u>42,240</u>
	-	1,062,021	-	-	1,062,021	604,674
<b>Property and equipment, note 3</b>	<u>13,500</u>	-	-	<u>85,305</u>	<u>98,805</u>	<u>27,246</u>
	<u>\$ 13,500</u>	<u>\$ 1,062,021</u>	<u>\$ -</u>	<u>\$ 85,305</u>	<u>\$ 1,160,826</u>	<u>\$ 631,920</u>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	\$ -	\$ 195,275	\$ -	\$ -	\$ 195,275	\$ 108,643
Deferred revenue, note 5	-	250,000	-	-	250,000	11,704
Interfund payable (receivable)	<u>(551,315)</u>	<u>551,548</u>	<u>6,877</u>	<u>(7,110)</u>	<u>-</u>	<u>-</u>
	<u>(551,315)</u>	<u>996,823</u>	<u>6,877</u>	<u>(7,110)</u>	<u>445,275</u>	<u>120,347</u>
<b>Commitments, note 6</b>						
<b>Contingent liabilities, note 9</b>						
<b>FUNDS BALANCE (DEFICIT)</b>	<u>564,815</u>	<u>65,198</u>	<u>(6,877)</u>	<u>92,415</u>	<u>715,551</u>	<u>511,573</u>
	<u>\$ 13,500</u>	<u>\$ 1,062,021</u>	<u>\$ -</u>	<u>\$ 85,305</u>	<u>\$ 1,160,826</u>	<u>\$ 631,920</u>

Approved on behalf of the Board:

 \_\_\_\_\_, Director

 \_\_\_\_\_, Director

See accompanying notes to the financial statements

**PARKDALE COMMUNITY LEGAL SERVICES INC.**

**STATEMENT OF OPERATIONS AND FUNDS BALANCE  
FOR THE YEAR ENDED MARCH 31, 2021**

	Directors' Fund	LAO General Fund	LAO Legal Disbursements Fund	LAO Capital Fund	2021 Total	2020 Total
<b>Revenues</b>						
Legal Aid Ontario, note 8						
- direct receipts	\$ -	\$ 1,894,208	\$ 6,560	\$ -	\$ 1,900,768	\$ 2,032,103
- indirect receipts, note 4	-	465,232	-	-	465,232	297,586
Projects	68,942	-	-	-	68,942	174,781
Osgoode Hall Law School Grant - annual	129,923	-	-	-	129,923	127,500
Donations	57,133	-	-	-	57,133	107,951
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,221</u>
	<u>255,998</u>	<u>2,359,440</u>	<u>6,560</u>	<u>-</u>	<u>2,621,998</u>	<u>2,784,142</u>

See accompanying notes to the financial statements

**PARKDALE COMMUNITY LEGAL SERVICES INC.**

**STATEMENT OF OPERATIONS AND FUNDS BALANCE  
FOR THE YEAR ENDED MARCH 31, 2021**

	Directors' Fund	LAO General Fund	LAO Legal Disbursements Fund	LAO Capital Fund	2021 Total	2020 Total
<b>Expenditures</b>						
Salaries	84,429	1,354,870	-	-	1,439,299	1,572,539
Indirect payment, note 4	-	465,232	-	-	465,232	297,586
Benefits	6,506	208,739	-	-	215,245	273,405
Occupancy	70,000	27,494	-	-	97,494	148,909
Professional services	15,000	56,340	-	-	71,340	153,997
Staff development	2,104	25,711	-	-	27,815	17,957
Communications	12,495	4,864	-	-	17,359	15,606
Supplies and services	5,140	9,548	-	-	14,688	30,961
Moving expenses	-	12,195	-	-	12,195	74,890
Professional dues	-	10,907	-	-	10,907	12,368
Equipment rental and maintenance	5,000	5,778	-	-	10,778	18,023
Legal disbursements	-	-	6,781	-	6,781	11,986
Board	3,114	650	-	-	3,764	11,980
Client services	2,132	-	-	-	2,132	6,633
Amortization	1,500	-	-	21,491	22,991	16,740
	<u>207,420</u>	<u>2,182,328</u>	<u>6,781</u>	<u>21,491</u>	<u>2,418,020</u>	<u>2,663,580</u>
Excess of revenues over expenditures (expenditures over revenues)	48,578	177,112	(221)	(21,491)	203,978	120,562
Interfund transfer	(15,000)	(79,550)	-	94,550	-	-
Funds balance (deficit), beginning of year	<u>531,237</u>	<u>(32,364)</u>	<u>(6,656)</u>	<u>19,356</u>	<u>511,573</u>	<u>391,011</u>
Funds balance (deficit), end of year	<u>\$ 564,815</u>	<u>\$ 65,198</u>	<u>\$ (6,877)</u>	<u>\$ 92,415</u>	<u>\$ 715,551</u>	<u>\$ 511,573</u>

See accompanying notes to the financial statements

**PARKDALE COMMUNITY LEGAL SERVICES INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2021**

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	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Excess of revenues over expenditures	\$ 203,978	\$ 120,562
Adjustments for:		
Amortization	<u>22,991</u>	<u>16,740</u>
	226,969	137,302
Changes in non-cash working capital balances		
Decrease in accounts receivable	15,216	18,561
Decrease in harmonized sales taxes receivable	28,009	10,400
Decrease (increase) in prepaid expenses	18,268	(30,022)
Increase (decrease) in accounts payable and accrued liabilities	86,632	(91,955)
Increase in deferred revenue	<u>238,296</u>	<u>-</u>
Cash flows provided from operating activities	<u>613,390</u>	<u>44,286</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(94,550)</u>	<u>-</u>
Net increase in cash	518,840	44,286
Cash, beginning of year	<u>505,055</u>	<u>460,769</u>
<b>Cash, end of year</b>	<u><u>\$ 1,023,895</u></u>	<u><u>\$ 505,055</u></u>

See accompanying notes to the financial statements



# PARKDALE COMMUNITY LEGAL SERVICES INC.

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021

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### 1. PURPOSE OF THE ORGANIZATION

Parkdale Community Legal Services Inc. (the "Clinic") is incorporated under the Laws of Ontario as a not-for-profit corporation without share capital and is a registered Canadian charitable organization. The Clinic provides legal services to low income individuals.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (CAS NPO) based on the following significant policies adopted by management:

#### Fund accounting

The Clinic has the following funds:

#### a) Directors' Fund

Comprised of the following:

		2021	2020
Osgoode Fund (net of repayments)	(i)	\$ 191,865	\$ 180,442
Internally Restricted Fund	(ii)	<u>372,950</u>	<u>350,795</u>
		<u>\$ 564,815</u>	<u>\$ 531,237</u>

i) **Osgoode Fund:** These funds are provided by York University (the "University") to enhance the academic program in poverty law, which is a joint project of Osgoode Hall Law School and the Clinic. In addition to the itemized budget for the Osgoode Fund, the University provides a full-time academic director position and some services in kind.

ii) **Internally Restricted Fund:** This fund includes monies received from individuals and corporations, which are used for project activities of the Clinic as directed by the management team or board of directors. This fund also includes monies received to fund specific projects, which no longer have any external restrictions as to use, but are internally restricted projects as directed by the management team or board of directors.

#### b) LAO General Fund

These funds, provided by Legal Aid Ontario ("LAO"), are used to provide a range of legal and paralegal services, including information, advice and representation, to low-income individuals and families.

# PARKDALE COMMUNITY LEGAL SERVICES INC.

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

#### Fund accounting (Continued...)

##### c) LAO Legal Disbursements Fund

These funds are used to provide for certain direct expenses incurred in representing Clinic clients in legal proceedings.

##### d) LAO Capital Fund

This fund holds the property and equipment of the Clinic that has been funded by Legal Aid Ontario.

#### Revenue recognition

The Clinic uses the deferral method to account for contributions.

Externally restricted contributions are recognized as revenue in the fund to which they pertain (see description of funds above). Contributions that relate to future periods are recorded as deferred revenue.

Unrestricted contributions are recognized as revenue of the Directors' Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Property and equipment

The property and equipment are amortized on a straight-line basis as follows:

Computer equipment	- 3 years
Office equipment	- 5 years
Telephone equipment	- 8 years
Leasehold improvements	- straight line basis over the term of the lease

#### Impairment of long-lived assets

Long-lived assets including property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When a long-lived asset no longer has any long-term service potential to the Clinic, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value.

#### Deferred capital contributions

Deferred capital contributions represent restricted contributions for leasehold improvements and other property and equipment. Revenue is recorded on these amounts at the same rates used for the associated assets being amortized.

# PARKDALE COMMUNITY LEGAL SERVICES INC.

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

#### Income taxes

The Clinic is a registered charitable organization and accordingly is exempt from income taxes under Section 149 of the Income Tax Act.

#### Estimates

The preparation of 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include: contingent liabilities (note 9), the useful lives of property and equipment and provision for uncollectable accounts receivable. Actual results could differ from those estimates.

#### Donations in kind and volunteered services

The Clinic received donations in kind in the form of contributed goods and services, which are recorded as revenue with an offsetting expense (note 4). In addition, other volunteers provide contributed services for the Clinic which are not recognized in these financial statements, due to the difficulty in determining the fair value of these contributed services.

### 3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
<b>LAO Capital Fund</b>				
Computer equipment	\$ 394,365	\$ 373,888	\$ 20,477	\$ 22,997
Office equipment	368,588	337,532	31,056	4,249
Telephone equipment	32,387	32,387	-	-
Leasehold improvements	<u>33,772</u>	<u>-</u>	<u>33,772</u>	<u>-</u>
	<u>\$ 829,112</u>	<u>\$ 743,807</u>	<u>\$ 85,305</u>	<u>\$ 27,246</u>
<b>Directors' Fund</b>				
Office equipment	<u>\$ 15,000</u>	<u>\$ 1,500</u>	<u>\$ 13,500</u>	<u>\$ -</u>

Leasehold improvements are not ready for use and for this reason have not been amortized.

**PARKDALE COMMUNITY LEGAL SERVICES INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021**

**4. INDIRECT PAYMENT**

Legal Aid Ontario administers and makes payments on behalf of the Clinic for the following expenditures:

	2021	2020
<b>LAO General Fund</b>		
Accommodation and equipment	\$ 236,177	\$ 134,926
Translation cost	166,333	90,599
Information technology support	50,304	56,630
Supplies and services	9,058	11,928
Library	2,429	2,100
Pension, benefits and group insurance	<u>931</u>	<u>1,403</u>
	<u>\$ 465,232</u>	<u>\$ 297,586</u>

**5. DEFERRED REVENUE**

	Deferred Revenue as at March 31, 2020	Deferred Revenue	Recognized as Revenue	Deferred Revenue as at March 31, 2021
<b>LAO General Fund</b>				
LAO	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>
<b>Directors' Fund</b>				
Maytree	<u>\$ 11,704</u>	<u>\$ -</u>	<u>\$ 11,704</u>	<u>\$ -</u>
	Deferred Revenue as at March 31, 2019	Deferred Revenue	Recognized as Revenue	Deferred Revenue as at March 31, 2020
<b>Directors' Fund</b>				
Maytree	<u>\$ 11,704</u>	<u>\$ 11,704</u>	<u>\$ 11,704</u>	<u>\$ 11,704</u>

## PARKDALE COMMUNITY LEGAL SERVICES INC.

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021

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#### 6. COMMITMENTS

The Clinic has entered into operating lease agreements for equipment and premises. The Clinic is committed to the lease on its equipment until September 2021. The current premise's lease expires March 31, 2028. Minimum lease payments plus operating costs are as follows:

	Premises	Equipment	Total
2022	\$ 93,759	\$ 1,585	\$ 95,344
2023	98,154	-	98,154
2024	102,549	-	102,549
2025	105,479	-	105,479
2026	108,409	-	108,409
Thereafter	<u>225,608</u>	<u>-</u>	<u>225,608</u>
	<u>\$ 733,958</u>	<u>\$ 1,585</u>	<u>\$ 735,543</u>

#### 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Clinic's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. All financial instruments noted are initially recognized at fair value and subsequently measured at amortized cost with the exception of cash which is carried at fair value. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument or shorter, dependent upon the expected period of cash flow.

When there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount of financial assets, measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves.

Transacting in financial instruments exposes the Clinic to certain financial risks and uncertainties. These risks include:

##### **Liquidity risk**

Liquidity risk is the risk that the Clinic will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to fair value. As 88% (2020 - 80%) of the financial assets consist of cash, the Clinic is not subject to significant liquidity risk.

**PARKDALE COMMUNITY LEGAL SERVICES INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021**

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7. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (Continued...)

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Clinic is exposed to credit risk with respect to its accounts receivable balances. As at March 31, 2021, the Clinic was not exposed to significant concentration of credit risk (2020 - 90% of accounts receivable was due from one program). The Clinic manages its credit risk by monitoring the outstanding balances.

8. **ECONOMIC DEPENDENCE**

The Clinic is economically dependent on the support of Legal Aid Ontario which provides 90% (2020 - 84%) of the Clinic's funding.

9. **CONTINGENT LIABILITIES**

During the 2021 fiscal year, the Clinic was advised that a claim was made against the Clinic. In this matter, the Clinic will have maximum exposure of \$50,000, representing the insurance deductible. The matter has not been settled and the occurrence of a future event is indeterminable as of the date of these financial statements.