

PARKDALE COMMUNITY LEGAL SERVICES INC.

AMENDED FINANCIAL STATEMENTS

MARCH 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Parkdale Community Legal Services Inc.

Qualified Opinion

We have audited the accompanying amended financial statements of Parkdale Community Legal Services Inc. (the "Clinic") which comprise the amended statement of financial position as at March 31, 2022, and the amended statement of operations and funds balance and the amended statement of cash flows for the year then ended, and notes to the amended 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 amended financial statements present fairly, in all material respects, the financial position of the Clinic as at March 31, 2022, 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, 2022 and 2021.

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 amended 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 10 to the financial statements, which explains that the financial statements for the year ended March 31, 2022 have been amended from those on which we originally reported on August 31, 2022.

Responsibilities of Management and Those Charged with Governance for the Amended Financial Statements

Management is responsible for the preparation and fair presentation of these amended 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 amended financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the amended 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 Amended Financial Statements

Our objectives are to obtain reasonable assurance about whether the amended 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 amended 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 amended 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.

Independent Auditor's Report
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- 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 amended 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.
- Evaluate the overall presentation, structure and content of the amended financial statements, including the disclosures, and whether the amended 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 GCSE LLP

Chartered Professional Accountants
Licensed Public Accountants


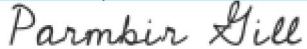
Toronto, Ontario
August 31, 2022, except for note 10, which is as of September 21, 2022.

PARKDALE COMMUNITY LEGAL SERVICES INC.

**AMENDED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022**

	Directors' Fund	LAO General Fund	LAO Legal Disbursements Fund	LAO Capital Fund	2022 Total	2021 Total
ASSETS						
Current assets						
Cash	\$ 612,629	\$ 25,100	\$ 5,842	\$ -	\$ 643,571	\$ 1,023,895
Accounts receivable	-	-	-	-	-	1,168
Harmonized sales taxes receivable	-	55,543	-	-	55,543	12,986
Prepaid expenses	<u>-</u>	<u>22,040</u>	<u>-</u>	<u>-</u>	<u>22,040</u>	<u>23,972</u>
	612,629	102,683	5,842	-	721,154	1,062,021
Property and equipment, note 3	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>662,180</u>	<u>686,180</u>	<u>98,805</u>
	<u>\$ 636,629</u>	<u>\$ 102,683</u>	<u>\$ 5,842</u>	<u>\$ 662,180</u>	<u>\$ 1,407,334</u>	<u>\$ 1,160,826</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ -	\$ 206,111	\$ -	\$ -	\$ 206,111	\$ 195,275
Deferred revenue, note 5	3,643	-	-	-	3,643	250,000
Interfund payable (receivable)	<u>29,659</u>	<u>(23,874)</u>	<u>16,326</u>	<u>(22,111)</u>	<u>-</u>	<u>-</u>
	33,302	182,237	16,326	(22,111)	209,754	445,275
Deferred capital contributions, note 6	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,500</u>	<u>237,500</u>	<u>-</u>
	<u>33,302</u>	<u>182,237</u>	<u>16,326</u>	<u>215,389</u>	<u>447,254</u>	<u>445,275</u>
Commitments, note 7						
FUNDS BALANCE (DEFICIT)	<u>603,327</u>	<u>(79,554)</u>	<u>(10,484)</u>	<u>446,791</u>	<u>960,080</u>	<u>715,551</u>
	<u>\$ 636,629</u>	<u>\$ 102,683</u>	<u>\$ 5,842</u>	<u>\$ 662,180</u>	<u>\$ 1,407,334</u>	<u>\$ 1,160,826</u>

Approved on behalf of the Board:


 _____, Director

 _____, Director

See accompanying notes to the financial statements

PARKDALE COMMUNITY LEGAL SERVICES INC.

**AMENDED STATEMENT OF OPERATIONS AND FUNDS BALANCE
FOR THE YEAR ENDED MARCH 31, 2022**

	Directors' Fund	LAO General Fund	LAO Legal Disbursements Fund	LAO Capital Fund	2022 Total	2021 Total
Revenues						
Legal Aid Ontario, note 9						
- direct receipts	\$ -	\$ 2,060,763	\$ 6,600	\$ -	\$ 2,067,363	\$ 1,900,768
- indirect receipts, note 4	-	326,710	-	-	326,710	465,232
Projects	30,357	-	-	-	30,357	68,942
Osgoode Hall Law School Grant - annual	130,832	-	-	-	130,832	129,923
Donations	44,572	-	-	-	44,572	57,133
Amortization of deferred capital contributions, note 6	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,500</u>	<u>12,500</u>	<u>-</u>
	<u>205,761</u>	<u>2,387,473</u>	<u>6,600</u>	<u>12,500</u>	<u>2,612,334</u>	<u>2,621,998</u>

See accompanying notes to the financial statements

PARKDALE COMMUNITY LEGAL SERVICES INC.

**AMENDED STATEMENT OF OPERATIONS AND FUNDS BALANCE (Continued...)
FOR THE YEAR ENDED MARCH 31, 2022**

	Directors' Fund	LAO General Fund	LAO Legal Disbursements Fund	LAO Capital Fund	2022 Total	2021 Total
Expenditures						
Salaries	28,440	1,353,278	-	-	1,381,718	1,439,299
Indirect payment, note 4	-	326,710	-	-	326,710	465,232
Benefits	3,883	220,809	-	-	224,692	215,245
Occupancy	70,000	127,581	-	-	197,581	97,494
Professional services	15,000	36,270	-	-	51,270	71,340
Supplies and services	5,817	18,984	-	-	24,801	14,688
Communications	7,000	11,025	-	-	18,025	17,359
Staff development	4,460	13,103	-	-	17,563	27,815
Professional dues	-	14,900	-	-	14,900	10,907
Client services	8,149	5,200	-	-	13,349	2,132
Equipment rental and maintenance	5,000	6,667	-	-	11,667	10,778
Moving expenses	-	10,586	-	-	10,586	12,195
Legal disbursements	-	-	10,207	-	10,207	6,781
Board	-	1,130	-	-	1,130	3,764
Amortization	4,500	-	-	59,106	63,606	22,991
	<u>152,249</u>	<u>2,146,243</u>	<u>10,207</u>	<u>59,106</u>	<u>2,367,805</u>	<u>2,418,020</u>
Excess of revenues over expenditures/ (expenditures over revenues)	53,512	241,230	(3,607)	(46,606)	244,529	203,978
Interfund transfer	(15,000)	(385,982)	-	400,982	-	-
Funds balance (deficit), beginning 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>
Funds balance (deficit), end of year	<u>\$ 603,327</u>	<u>\$ (79,554)</u>	<u>\$ (10,484)</u>	<u>\$ 446,791</u>	<u>\$ 960,080</u>	<u>\$ 715,551</u>

See accompanying notes to the financial statements

PARKDALE COMMUNITY LEGAL SERVICES INC.

**AMENDED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022**

	2022	2021
Cash flows from operating activities		
Excess of revenues over expenditures	\$ 244,529	\$ 203,978
Adjustments for:		
Amortization of property and equipment	63,606	22,991
Amortization of deferred capital contribution	<u>(12,500)</u>	<u>-</u>
	295,635	226,969
Changes in non-cash working capital balances		
Decrease in accounts receivable	1,168	15,216
Decrease (increase) in harmonized sales taxes receivable	(42,557)	28,009
Decrease in prepaid expenses	1,932	18,268
Increase in accounts payable and accrued liabilities	10,836	86,632
Increase in deferred revenue	<u>(246,357)</u>	<u>238,296</u>
Cash flows provided from operating activities	<u>20,657</u>	<u>613,390</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(650,981)</u>	<u>(94,550)</u>
Cash flows from financing activities		
Increase in deferred capital contributions	<u>250,000</u>	<u>-</u>
Net increase (decrease) in cash	(380,324)	518,840
Cash, beginning of year	<u>1,023,895</u>	<u>505,055</u>
Cash, end of year	<u><u>\$ 643,571</u></u>	<u><u>\$ 1,023,895</u></u>

See accompanying notes to the financial statements

PARKDALE COMMUNITY LEGAL SERVICES INC.

NOTES TO THE AMENDED FINANCIAL STATEMENTS MARCH 31, 2022

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:

		2022	2021
Osgoode Fund (net of repayments)	(i)	\$ 218,474	\$ 191,865
Internally Restricted Fund	(ii)	<u>384,853</u>	<u>372,950</u>
		<u>\$ 603,327</u>	<u>\$ 564,815</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 AMENDED FINANCIAL STATEMENTS MARCH 31, 2022

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 AMENDED FINANCIAL STATEMENTS
MARCH 31, 2022**

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: 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	2022 Net Book Value	2021 Net Book Value
LAO Capital Fund				
Computer equipment	\$ 409,641	\$ 389,225	\$ 20,416	\$ 20,477
Office equipment	414,822	348,792	66,030	31,056
Telephone equipment	41,654	32,966	8,688	-
Leasehold improvements	<u>598,976</u>	<u>31,930</u>	<u>567,046</u>	<u>33,772</u>
	<u>1,465,093</u>	<u>802,913</u>	<u>662,180</u>	<u>85,305</u>
Directors' Fund				
Office equipment	<u>30,000</u>	<u>6,000</u>	<u>24,000</u>	<u>13,500</u>
Total	<u>\$ 1,495,093</u>	<u>\$ 808,913</u>	<u>\$ 686,180</u>	<u>\$ 98,805</u>

PARKDALE COMMUNITY LEGAL SERVICES INC.

**NOTES TO THE AMENDED FINANCIAL STATEMENTS
MARCH 31, 2022**

4. INDIRECT PAYMENT

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

	2022	2021
LAO General Fund		
Accommodation and equipment	\$ 130,862	\$ 236,177
Translation cost	111,424	166,333
Information technology support	70,218	50,304
Supplies and services	11,408	9,058
Library	2,630	2,429
Pension, benefits and group insurance	<u>168</u>	<u>931</u>
	<u>\$ 326,710</u>	<u>\$ 465,232</u>

PARKDALE COMMUNITY LEGAL SERVICES INC.

**NOTES TO THE AMENDED FINANCIAL STATEMENTS
MARCH 31, 2022**

5. **DEFERRED REVENUE**

	Deferred Revenue as at March 31, 2021	Deferred Revenue	Recognized as Revenue	Deferred Revenue as at March 31, 2022
LAO General Fund				
LAO	<u>\$ 250,000</u>	<u>\$ (250,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Directors' Fund				
Rooming House	<u>\$ -</u>	<u>\$ 3,643</u>	<u>\$ -</u>	<u>\$ 3,643</u>
	Deferred Revenue as at March 31, 2020	Deferred Revenue	Recognized as Revenue	Deferred Revenue as at March 31, 2021
LAO General Fund				
LAO	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>
Directors' Fund				
Maytree	<u>\$ 11,704</u>	<u>\$ -</u>	<u>\$ 11,704</u>	<u>\$ -</u>

PARKDALE COMMUNITY LEGAL SERVICES INC.

**NOTES TO THE AMENDED FINANCIAL STATEMENTS
MARCH 31, 2022**

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent restricted contributions for leasehold improvements and other property and equipment. The changes in the deferred capital contributions are as follows:

	2022 LAO Capital Fund	2021 LAO Capital Fund
Contributions received		
Balance, beginning of year	\$ -	\$ -
Received during the year	<u>250,000</u>	<u>-</u>
Balance, end of year	<u>250,000</u>	<u>-</u>
Contributions amortized through revenue		
Balance, Beginning of year	-	-
Amortized during the year	<u>12,500</u>	<u>-</u>
Balance, end of year	<u>12,500</u>	<u>-</u>
Net balance, end of year	<u>\$ 237,500</u>	<u>\$ -</u>

PARKDALE COMMUNITY LEGAL SERVICES INC.

**NOTES TO THE AMENDED FINANCIAL STATEMENTS
MARCH 31, 2022**

7. COMMITMENTS

The Clinic has entered into operating lease agreements for equipment and premises. The Clinic is committed to the lease on its equipment until October 2026. The current premises leases expire March 31, 2028 and May 31, 2033. Minimum lease payments plus operating costs are as follows:

	Premises	Equipment	Total
2023	\$ 123,085	\$ 880	\$ 123,965
2024	132,477	880	133,357
2025	135,404	880	136,284
2026	138,332	880	139,212
2027	149,260	514	149,774
Thereafter	<u>363,188</u>	<u>-</u>	<u>363,188</u>
	<u>\$ 1,041,746</u>	<u>\$ 4,034</u>	<u>\$ 1,045,780</u>

8. 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 46% (2021 - 88%) of the financial assets consist of cash, the Clinic is not subject to significant liquidity risk.

PARKDALE COMMUNITY LEGAL SERVICES INC.

**NOTES TO THE AMENDED FINANCIAL STATEMENTS
MARCH 31, 2022**

8. 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, 2022, the Clinic was not exposed to significant concentration of credit risk. The Clinic manages its credit risk by monitoring the outstanding balances.

9. ECONOMIC DEPENDENCE

The Clinic is economically dependent on the support of Legal Aid Ontario which provides 92% (2021 - 90%) of the Clinic's funding.

10. AMENDMENT TO THE FINANCIAL STATEMENTS

Subsequent to the issuance of the previous financial statements for the year ended March 31, 2022, Management determined that a reallocation was required for deferred capital contribution from the General Fund to the Capital Fund. These amendments had an impact on the following accounts which were reclassified on September 21, 2022:

Account	As originally stated	Subsequent to reclass on September 21, 2022
LAO General Fund (deficit)	\$ (329,554)	\$ (79,554)
LAO Capital Fund balance	696,791	446,791
LAO General Fund interfund payable (receivable)	226,126	(23,874)
LAO Capital Fund interfund (receivable)	(272,111)	(22,111)
LAO General Fund interfund transfer	(635,982)	(385,982)
LAO Capital Fund interfund transfer	650,982	400,982