

WORKING SKILLS CENTRE

FINANCIAL STATEMENTS

MARCH 31, 2011



David Burkes, B. Com, C.A. • IFA



AUDITOR'S REPORT

To the Members of
Working Skills Centre

I have audited the accompanying financial statement of Working Skills Centre, which comprise the statement of financial position as at March 31, 2011, the statement of operations and net assets, and the statement of cash flows for the year then ended, and a summary of significant accounting policies applicable to not for profit organizations 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 for not for profit organizations. 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 entity'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 entity'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.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITOR'S REPORT (Continued)

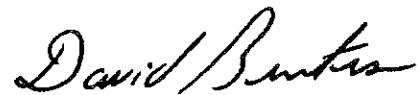
Basis for Qualified Opinion

Due to the inherent nature of the transactions of the organization, the completeness of donations and fundraising revenue is not susceptible of satisfactory audit verification. Accordingly, my verification of these amounts was limited to the amounts recorded in the organization's accounting records and I was not able to determine whether any adjustments might be necessary to the donations and fundraising revenue.

Qualified Opinion

In my 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 Working Skills Centre, as at March 31, 2011, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

Richmond Hill, Ontario
August 23, 2011



Chartered Accountant
Licensed Public Accountant



WORKING SKILLS CENTRE

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011

ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT</u>		
Cash	\$ 29,551	\$ 14,525
Short-term Investments	-	30,000
Accounts Receivable	90,131	12,222
Grant Contributions Receivable	75,094	31,729
GST/HST Receivable	24,972	6,203
Prepaid Expenses and Deposits	11,953	12,110
	<u>231,701</u>	<u>106,789</u>
 <u>CAPITAL ASSETS (Note 3)</u>	 <u>282,250</u>	 <u>194,374</u>
	<u>\$ 513,951</u>	<u>\$ 301,163</u>


LIABILITIES

<u>CURRENT</u>		
Bank Advances (Note 12)	\$ 70,000	\$ 5,000
Accounts Payable and Accrued Liabilities	97,138	75,847
Deferred Revenue	15,219	7,446
Deferred Operating Grant Revenue (Note 4)	24,690	6,277
	<u>207,047</u>	<u>94,570</u>
 <u>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 5)</u>	 <u>201,722</u>	 <u>101,720</u>
	<u>408,769</u>	<u>196,290</u>


NET ASSETS

<u>NET ASSETS</u>	<u>105,182</u>	<u>104,873</u>
	<u>\$ 513,951</u>	<u>\$ 301,163</u>

APPROVED BY THE BOARD:



Director



Director

(See Accompanying Notes)



WORKING SKILLS CENTRE

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
<u>REVENUE</u>		
Government and Foundation Contributions (Note 6)	\$ 799,909	\$ 742,730
WSC Direct Marketing (Note 7)	-	90,347
T.E.S.S. Skills Training	304,547	8,432
Skills Training - Diploma	37,919	180,688
Skills Training - Career Packages	28,518	90,200
Social Enterprise	59,524	22,575
Fundraising, Donations and Other Income	27,175	30,386
Donations-in-Kind - Equipment	8,390	-
	<u>1,265,982</u>	<u>1,165,358</u>
<u>EXPENSES</u>		
Capital Expenditures	51,173	24,286
Salaries	728,330	687,808
Employee and Trainee Benefits	69,386	67,163
Occupancy Costs (Note 8)	151,291	139,992
Outreach and Marketing	30,990	30,597
Bad Debts	4,129	3,008
Bank Charges and Interest	7,387	4,552
Computer Software and Supplies	23,097	17,305
Equipment Leasing and Maintenance	34,183	28,157
Insurance	11,258	11,589
Office Supplies	27,405	33,496
Professional Fees	50,413	28,383
Fundraising Expenses	1,320	2,194
Program Resource Materials	32,977	35,126
Telephone	12,415	13,214
Travel and Participant TTC	9,403	9,152
Donations-in-Kind - Equipment	8,390	-
	<u>1,253,547</u>	<u>1,136,022</u>
<u>EXCESS OF REVENUE OVER EXPENSES</u>		
<u>BEFORE AMORTIZATION</u>	12,435	29,336
<u>AMORTIZATION</u> (Note 9)	<u>(12,126)</u>	<u>(37,175)</u>
<u>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</u>	309	(7,839)
<u>NET ASSETS</u> , Beginning of the Year	<u>104,873</u>	<u>112,712</u>
<u>NET ASSETS</u> , End of the Year	<u>\$ 105,182</u>	<u>\$ 104,873</u>

(See Accompanying Notes)



David Burkes, B. Com, C.A. • IFA

WORKING SKILLS CENTRE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATIONS</u>		
<u>Cash Received from:</u>		
Government Grants and Projects	\$ 902,946	\$ 732,846
T.E.S.S. Skills Training	304,547	8,432
WSC Enterprises - Skills Training	55,825	306,722
WSC Direct Marketing	-	90,347
Fundraising, Donations and Other Income	27,175	30,386
	<u>1,290,493</u>	<u>1,168,733</u>
<u>CASH OUTFLOWS - FINANCING AND INVESTING ACTIVITIES</u>		
Business Agency Operations and Special Projects	1,242,478	1,121,807
Leasehold Improvements	49,598	102,357
Furniture and Equipment	7,795	-
Computer Equipment	70,596	-
Proceeds on Sale of Mailing Equipment	-	(4,000)
	<u>1,370,467</u>	<u>1,220,164</u>
<u>NET DECREASE IN CASH</u>	(79,974)	(51,431)
<u>CASH AND CASH EQUIVALENTS, Beginning of the Year</u>	<u>39,525</u>	<u>90,956</u>
<u>CASH (BANK ADVANCES) AND</u>		
<u>CASH EQUIVALENTS, End of the Year</u>	<u>\$ (40,449)</u>	<u>\$ 39,525</u>
<u>CASH (BANK ADVANCES) AND</u>		
<u>CASH EQUIVALENTS REPRESENTED BY:</u>		
Cash	\$ 29,551	\$ 14,525
Short-term Investments	-	30,000
Bank Advances	<u>(70,000)</u>	<u>(5,000)</u>
	<u>\$ (40,449)</u>	<u>\$ 39,525</u>

(See Accompanying Notes)



WORKING SKILLS CENTRE

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

1. **PURPOSE OF ORGANIZATION:**

WSC is an innovative, community-based, non-profit, charitable organization that empowers immigrants, primarily women. Its purpose is to prepare its clients to fully participate in Canadian society by providing education, work experience and settlements services that ultimately lead to employment. WSC is a registered charity under the Income Tax Act of Canada. The registration number is 108221946 RR0001.

2. **SIGNIFICANT ACCOUNTING POLICIES:**

a) **Revenue Recognition**

WSC follows the deferral method of accounting for contributions. Deferred contributions are recognized as revenue in the year in which the related expenses are incurred. Revenue from government and foundation contributions is recorded when revenue is earned. Revenue from sales, services and material resource recovery is recorded as revenue when earned. Capital contributions and the capital assets acquired from such grants are amortized over their respective useful lives. Fundraising, donations and other income are recorded as revenue when received.

Donations-in-kind are recognized as revenue at their fair market value where such is discernable.

WSC direct marketing and skills training programs are recorded as revenue when earned.

b) **Capital Assets and Amortization**

Capital assets are recorded at cost. Amortization is provided as follows:

Computer Equipment	20% - declining balance basis
Telephone System	20% - declining balance basis
Furniture and Equipment	20% - declining balance basis
Leasehold Improvements	Amortized over 120 months

Equipment related to program costs is expensed in the year of acquisition.

c) **Contribution to Administration**

Some programs contribute a percentage of revenue to administration to defray infrastructure costs.



WORKING SKILLS CENTRE

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

d) Financial Instruments

WSC's financial instruments consist of cash, accounts receivable, short-term investments, bank advances and accounts payable. Financial instruments are initially recorded as historical cost. If subsequent circumstances indicate that a decline in the fair market value of a financial asset is other than temporary, the financial instrument is written down to its fair market value. Unless otherwise indicated, it is management's opinion that WSC is not exposed to significant interest, currency or credit risks arising from these financial statements. The fair market value of these instruments approximate recorded amounts because of the short period to receipt or payment of cash.

3. CAPITAL ASSETS:

	<u>2011</u>			<u>2010</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold				
Improvements	\$ 151,955	\$ 17,964	\$ 133,991	\$ 97,240
Furniture and Equipment	55,586	41,759	13,827	8,514
Computer Equipment	198,264	64,923	133,341	87,256
Telephone Equipment	17,446	16,355	1,091	1,364
	<u>\$ 423,251</u>	<u>\$ 141,001</u>	<u>\$ 282,250</u>	<u>\$ 194,374</u>

Amortization for the year is \$40,112 (2010-\$56,756).

4. DEFERRED OPERATING GRANT CONTRIBUTIONS:

Deferred operating grant contributions are comprised of the following:

	<u>2011</u>	<u>2010</u>
Ministry of Citizenship - NSP	\$ 9,690	\$ 6,277
Citizenship and Immigration Canada	15,000	-
	<u>\$ 24,690</u>	<u>\$ 6,277</u>

Continuity of Deferred Operating Grant Contributions for the year is as follows:

Deferred Operating Grants, Beginning of the Year	\$ 6,277	\$ 15,621
Add - Received/Receivable during the Year	818,322	773,007
Less - Recognized during the Year (Note 6)	(799,909)	(782,351)
Deferred Operating Grants, End of the Year	<u>\$ 24,690</u>	<u>\$ 6,277</u>



WORKING SKILLS CENTRE

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS:

Ontario Trillium Foundation (OTF)

In 2009 WSC received and expended \$145,400 from OTF for the purchase and installation of computer equipment and software, of which \$112,640 was capitalized and was included in Computer Equipment; the balance of \$32,760 was included in Capital Equipment in the Statement of Operations in 2009. Deferred contributions reported are amortized over the useful life of the computer equipment. Amortization for 2011 is \$14,418 (2010 – \$18,022).

Ministry of Training, Colleges and Universities/ Employment Ontario (MTCU)

In 2010 WSC received \$31,189 from MTCU for the Practice Firm's facility improvements and is included in Capital Assets – Leasehold Improvements (Note 3). The deferred contribution is amortized over the term of the lease including the option period commencing October 1, 2009. Amortization for 2011 is \$3,119 (2010 - \$1,559).

Ontario Trillium Foundation (OTF)

In 2011 WSC received and expended \$149,600 of which \$127,989 was capitalized as follows:

Leasehold Improvements	\$ 49,598
Furniture and Equipment	7,795
Computer Equipment	<u>70,596</u>
	<u>\$ 127,989</u>

The respective deferred contribution related to capital assets is amortized over the useful life of the asset as per Note 2. Amortization for 2011 is \$10,450.

The balance of the funds, \$21,611, is included in the Statement of Operations and allocated as follows:

Salaries	\$ 11,426
Equipment Leasing and Maintenance	<u>10,185</u>
	<u>\$ 21,611</u>



WORKING SKILLS CENTRE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS: (Continued)

Continuity of Deferred Capital Contributions for the year is as follows:

OTF (2009)

	<u>2011</u>	<u>2010</u>
Deferred Capital Contributions, Beginning of the Year	\$ 72,090	\$ 90,112
Less - Amortized for the Year	<u>(14,418)</u>	<u>(18,022)</u>
	<u>57,672</u>	<u>72,090</u>

MTCU

Deferred Capital Contributions, Beginning of the Year	29,630	-
Add - Received in the Year	-	31,189
Less - Amortized for the Year	<u>(3,119)</u>	<u>(1,559)</u>
	<u>26,511</u>	<u>29,630</u>

OTF (2011)

Total OTF Grant	149,600	-
Expensed Directly in Financial Statements	<u>(21,611)</u>	<u>-</u>
Amount Expended on Capital Assets	127,989	-
Less - Amortized for the Year	<u>(10,450)</u>	<u>-</u>
	<u>117,539</u>	<u>-</u>
Deferred Capital Contributions, End of the Year	<u>\$ 201,722</u>	<u>\$ 101,720</u>

6. GOVERNMENT AND FOUNDATION CONTRIBUTIONS:

Contributions are comprised as follows:

	<u>2011</u>	<u>2010</u>
Ministry of Training, Colleges and Universities/Employment Ontario	\$ 558,696	\$ 481,989
Ontario Trillium Foundation (Notes 4 and 5)	21,611	-
Investing in Neighbourhoods	86,002	80,860
Ministry of Citizenship - NSP	60,946	60,946
Ministry of Citizenship - Pay Equity	58,523	63,431
Human Resources and Skills Development Canada	7,731	6,665
Community University Research Alliances	5,000	-
Social Purpose Enterprise Network Toronto	1,400	4,718
Toronto Community Foundation	-	28,500
Ministry of Citizenship and Immigration - Ontario Community Builders	-	8,000
Toronto Enterprise Fund	-	3,921
enp-Toronto	<u>-</u>	<u>3,700</u>
	<u>\$ 799,909</u>	<u>\$ 742,730</u>



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NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

7. **WSC DIRECT MARKETING:**

WSC Direct Marketing, a social enterprise, closed on October 31, 2009.

8. **OCCUPANCY COSTS:**

Following the move in 2010, the landlord provided four months gross free rent as an inducement.

9. **AMORTIZATION:**

Amortization is comprised as follows:

	<u>2011</u>	<u>2010</u>
Amortization of Deferred Contributions		
Related to Capital Assets	\$ 27,987	\$ 19,581
Amortization Expense	(40,113)	(29,401)
Loss on Disposal of Assets (See Below)	-	(27,355)
	<u>\$ (12,126)</u>	<u>\$ (37,175)</u>

During the 2010 fiscal year, WSC moved its operating facilities and ceased its direct marketing division. As a consequence of these changes, WSC incurred terminal losses as follows:

1. Disposition of leasehold improvements	\$ -	\$ 23,324
2. Disposition of direct marketing equipment	-	4,031
	<u>\$ -</u>	<u>\$ 27,355</u>

10. **CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCE:**

WSC includes cash, accounts receivable, grants receivable, accounts payable, deferred revenue, and net assets in its capital management consideration. WSC's objectives when managing capital are to safeguard its ability to continue as a going concern and continue to execute its mandate.

WSC monitors these items to assess its ability to fulfil its ongoing financial obligations. WSC relies primarily on grants and training programs to fund its operations and makes adjustments to its budgeted expenditures in light of changes. WSC is not subject to externally imposed capital requirements.

WORKING SKILLS CENTRE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

11. **USE OF ESTIMATES:**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

12. **BANK ADVANCES:**

WSC has a \$100,000 line of credit facility which bears interest at the TD Canada Trust prime rate plus 3%. At March 31, 2011, WSC had a balance of \$70,000 outstanding on the facility at an annual interest rate of 6%.

13. **CONTRIBUTED SERVICES:**

Because of the difficulty of determining the fair value of services provided by volunteers, contributed services by volunteers are not recognized in these financial statements.

14. **LEASE COMMITMENT:**

WSC's net annual minimum lease payments to the expiry of the lease, September 30, 2014, are as follows:

2012	\$	50,294
2013	\$	58,825
2014	\$	61,694
2015	\$	31,565

15. **COMPARATIVE FIGURES:**

Certain of the 2010 comparative figures have been reclassified to conform to the current year's presentation.

