

**WORKING SKILLS CENTRE**  
**AUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**



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**David Burkes, B. Com, CPA, CA-IFA, CFF**



INDEPENDENT AUDITOR'S REPORT

To the Members of  
Working Skills Centre

I have audited the accompanying financial statement of Working Skills Centre (WSC), which comprise the statement of financial position as at March 31, 2016, the statement of operations and net assets, and the statement of cash flows for the year then ended, and a summary of significant Canadian accounting standards 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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards for not-for-profit organizations. Those standards require that I 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, WSC derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these amounts was limited to the amounts recorded in WSC'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 WSC, as at March 31, 2016, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Emphasis of Matter*

I draw your attention to Note 14 of the financial statements which describes the conditions under which WSC will be able to continue as a going concern, meaning its ability to continue to operate for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of operations. As disclosed in Note 14, WSC's continuance is dependent upon its ability to secure government funding and produce self-generated revenue and attaining positive results in its operations. If the going concern concept is not appropriate for these financial statements, adjustments might be necessary for the carrying values of assets and liabilities.

Richmond Hill, Ontario  
August 18, 2016

Chartered Professional Accountant  
Licensed Public Accountant



WORKING SKILLS CENTRE

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2016

ASSETS

<u>CURRENT</u>	<u>2016</u>	<u>2015</u>
Cash	\$ -	\$ 16,787
Accounts Receivable	56,184	45,479
Grant Contributions Receivable	38,700	11,310
HST Recoverable	14,321	12,789
Prepaid Expenses and Deposits	11,282	9,279
	<u>120,487</u>	<u>95,644</u>
<u>CAPITAL ASSETS (Note 2)</u>	<u>148,632</u>	<u>125,048</u>
	<u>\$ 269,119</u>	<u>\$ 220,692</u>



LIABILITIES

<u>CURRENT</u>		
Bank Advances - Net (Note 9)	\$ 48,261	\$ 85,000
Accounts Payable and Accrued Charges	36,016	42,222
Source Deductions Payable	-	173
Deferred Revenue	8,637	6,534
Deferred Capital Grant (Note 10)	83,770	-
Deferred Operating Grant Revenue (Note 3)	-	8,691
	<u>176,684</u>	<u>142,620</u>
<u>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 4)</u>	<u>123,140</u>	<u>79,669</u>
	<u>299,824</u>	<u>222,289</u>

NET ASSETS

<u>NET ASSETS</u>	<u>( 30,705 )</u>	<u>( 1,597 )</u>
	<u>\$ 269,119</u>	<u>\$ 220,692</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, 2016

	<u>2016</u>	<u>2015</u>
<b><u>REVENUE</u></b>		
Government and Foundation Contributions (Note 5)	\$ 274,805	\$ 353,857
T.E.S.S. Skills Training & Employment Incentives	279,979	297,993
Skills Training - Diploma	16,323	8,150
Certificate (Part-time) Programs	58,666	70,415
Fundraising, Donations and Other Income	40,049	38,151
Donations-in-Kind (Note 12)	6,701	15,488
	<u>676,523</u>	<u>784,054</u>
<b><u>EXPENSES</u></b>		
Salaries	408,437	516,649
Employee and Trainee Benefits	31,002	34,353
Occupancy Costs	103,272	123,882
Outreach and Marketing	6,002	8,330
Bad Debts	3,017	1,868
Bank Charges and Interest	5,002	6,470
Computer Software, Supplies and Technical Services	6,059	14,853
Equipment Leasing and Maintenance	8,519	10,315
Insurance	17,182	16,904
Office Supplies	22,093	13,036
Professional Fees	28,007	13,185
Program Resource Materials	33,068	49,153
Telephone	4,032	3,621
Travel and Participant TTC	4,011	12,197
Donations-in-Kind (Note 12)	6,701	15,488
	<u>686,404</u>	<u>840,304</u>
<b><u>EXCESS OF EXPENSES OVER REVENUE</u></b>		
<b><u>BEFORE AMORTIZATION</u></b>	( 9,881 )	( 56,250 )
<b><u>AMORTIZATION</u></b> (Note 6)	( 19,227 )	( 12,600 )
<b><u>EXCESS OF EXPENSES OVER REVENUE</u></b>	( 29,108 )	( 68,850 )
<b><u>NET ASSETS</u></b> , Beginning of the Year	( 1,597 )	67,253
<b><u>NET ASSETS</u></b> , End of the Year	<u>\$ ( 30,705 )</u>	<u>\$ ( 1,597 )</u>

*(See Accompanying Notes)*



**WORKING SKILLS CENTRE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
<b><u>CASH FLOWS FROM OPERATIONS</u></b>		
<b><u>Cash Received from:</u></b>		
Government Grants and Projects	\$ 388,324	\$ 360,174
T.E.S.S. Skills Training	259,430	330,693
WSC Enterprises - Skills Training	77,567	80,164
Fundraising, Donations and Other Income	49,418	37,167
	<u>774,739</u>	<u>808,198</u>
 <b><u>CASH OUTFLOWS - FINANCING AND INVESTING ACTIVITIES</u></b>		
Business Agency Operations and Special Projects	689,617	820,330
Capital Assets	65,170	-
	<u>754,787</u>	<u>820,330</u>
 <b><u>NET INCREASE (DECREASE) IN CASH</u></b>	19,952	( 12,132 )
 <b><u>NET BANK ADVANCES, Beginning of the Year</u></b>	<u>( 68,213 )</u>	<u>( 56,081 )</u>
 <b><u>NET BANK ADVANCES, End of Year</u></b>	<u>\$ ( 48,261 )</u>	<u>\$ ( 68,213 )</u>
 <b><u>NET BANK ADVANCES REPRESENTED BY:</u></b>		
Cash	\$ -	\$ 16,787
Bank Advances	<u>( 48,261 )</u>	<u>( 85,000 )</u>
	<u>\$ ( 48,261 )</u>	<u>\$ ( 68,213 )</u>

*(See Accompanying Notes)*

# WORKING SKILLS CENTRE

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

### 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.

### 1. 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 on the accrual basis i.e. 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 Skills Training and Social Enterprise 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, 2016

1. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

d) Financial Instruments

WSC's financial instruments consist of cash, accounts receivable, bank advances and accounts payable and accrued charges. Financial instruments are initially recorded at 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.

2. CAPITAL ASSETS:

	<u>2016</u>			<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold				
Improvements	\$ 118,373	\$ 75,202	\$ 43,171	\$ 64,321
Furniture and Equipment	55,586	51,055	4,531	5,664
Computer Equipment	254,829	154,256	100,573	54,616
Telephone Equipment	17,446	17,089	357	447
	<u>\$ 446,234</u>	<u>\$ 297,602</u>	<u>\$ 148,632</u>	<u>\$ 125,048</u>

Amortization for the year is \$32,625 (2015 - \$30,690).

3. DEFERRED OPERATING GRANT CONTRIBUTIONS:

Deferred operating grant contributions are comprised of the following:

	<u>2016</u>	<u>2015</u>
Ministry of Economic Development, Infrastructure & Employment	\$ -	\$ 7,441
Toronto Foundation	-	1,250
	<u>\$ -</u>	<u>\$ 8,691</u>

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

Deferred Operating Grants, Beginning of the Year	\$ 8,691	\$ 5,250
Add - Received/Receivable during the Year	266,114	357,298
Less - Recognized during the Year (Note 5)	(274,805)	(353,857)
Deferred Operating Grants, End of the Year	<u>\$ -</u>	<u>\$ 8,691</u>



WORKING SKILLS CENTRE

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

4. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS:

i) 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 2016 is \$3,599 (2015 – \$5,908).

ii) 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 2016 is \$10,739 (2015 -\$12,184).

The balance of the funds, \$21,611, was included in the 2011 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, 2016

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

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

	<u>2016</u>	<u>2015</u>
<u>OTF (2009)</u>		
Deferred Capital Contributions, Beginning of the Year	\$ 23,622	\$ 29,528
Less - Disposition of computer equipment (Note 6)	( 1,437 )	-
Less - Amortized for the Year	( 3,599 )	( 5,906 )
	<u>18,586</u>	<u>23,622</u>
<u>OTF (2011)</u>		
Deferred Capital Contributions, Beginning of the Year	56,047	68,231
Less - Amortized for the Year	( 10,740 )	( 12,184 )
	<u>45,307</u>	<u>56,047</u>
<u>OTF (2016)</u>		
Deferred Capital Contributions, Beginning of the Year	-	-
Add - Received in the year	65,830	-
Less - Amortized for the Year	( 6,583 )	-
	<u>59,247</u>	<u>-</u>
Deferred Capital Contributions, End of the Year	<u>\$ 123,140</u>	<u>\$ 79,669</u>

5. GOVERNMENT AND FOUNDATION CONTRIBUTIONS:

Contributions are comprised as follows:

	<u>2016</u>	<u>2015</u>
Ministry of Citizenship - NSP	\$ 63,993	\$ 69,243
Investing in Neighbourhoods	73,392	76,524
Ministry of Citizenship - Pay Equity	51,255	51,209
Ministry of Economic Development, Infrastructure & Employment	67,375	132,403
Ministry of Training, Colleges and Universities/Employment Ontario - Job Creation Partnership	-	1,340
Toronto Foundation	5,000	7,250
Service Canada, Canadian Summer Job Strategy	8,790	11,482
Shum Vourkoutiotis Fund at The Toronto Foundation	5,000	4,406
	<u>\$ 274,805</u>	<u>\$ 353,857</u>

**WORKING SKILLS CENTRE**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**6. AMORTIZATION:**

Amortization is comprised as follows:

	<u>2016</u>	<u>2015</u>
Amortization Expense	\$ (32,625)	\$ (30,690)
Amortization of Deferred Contributions Related to Capital Assets	20,922	18,090
Loss on Disposal of Assets (See Below)	<u>(7,524)</u>	<u>-</u>
	<u>\$ (19,227)</u>	<u>\$ (12,600)</u>

As at April 1, 2015 WSC relinquished office space resulting in terminal losses as follows:

1. Disposition of leasehold improvements	\$ 7,254	\$ -
2. Disposition of computer equipment - net	<u>270</u>	<u>-</u>
	<u>\$ 7,524</u>	<u>\$ -</u>

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

WSC includes cash, accounts receivable, grants receivable, accounts payable and accrued charges, 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.

**8. 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.

**9. BANK ADVANCES:**

WSC has a \$100,000 line of credit facility which bears interest at the Royal Bank of Canada prime rate plus 1.9%. Included in Bank Advances, WSC had a balance of \$45,000 outstanding (2015-\$85,000) on the facility at an annual interest rate of 4.75%.

10.



WORKING SKILLS CENTRE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

10. DEFERRED CAPITAL GRANT:

	<u>2016</u>	<u>2,015</u>
Ontario Trillium Foundation	\$ 83,770	\$ -
Continuity of deferred capital grant is as follows:		
Deferred Capital Grant, Beginning of Year	\$ -	\$ -
Add - Received during the Year	149,600	-
Less - Recognized during the Year (Note 4)	( 65,830 )	-
Deferred Capital Grant, End of Year	<u>\$ 83,770</u>	<u>\$ -</u>

11. LEASE COMMITMENT:

WSC's net annual minimum lease payment to the expiry of the amended leases, March 31, 2018, is as follows:

2017	\$ 46,413
2018	\$ 48,269

12. DONATIONS-IN-KIND:

In fiscal 2016 WSC was in receipt of legal fees at fair market value of \$6,701 (2015-\$15,488).

13. FINANCIAL INSTRUMENTS - RISK MANAGEMENT:

a) Interest Rate Risk

Interest rate risk is the risk of potential financial loss caused by fluctuations in their fair value of future cash flow of financial instruments due to changes in market interest rates.

b) Credit Risk

Credit risk is the potential for financial loss should a counter-party in a transaction fail to meet its obligations.

c) Currency Risk

Currency risk is the risk of potential change in price of one currency against another currency.

The WSC's financial instruments consist of cash, accounts receivable, accounts payable and accrued charges. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant credit or currency risks. WSC is exposed to interest rate risk due to its line of credit. The fair value of these financial instruments approximates their carrying values.

**WORKING SKILLS CENTRE**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**14. GOING CONCERN:**

**These financial statements have been prepared on the assumption that WSC is a going concern, meaning it will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. WSC's ability to continue as a going concern is dependent upon its ability to secure government funding and produce self-generated revenue and attaining positive results in its operations.**

**WSC has adopted a deficit elimination plan for the fiscal 2017 year.**

**15. 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.**