

**CATHOLIC CROSS-CULTURAL SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2018**

CATHOLIC CROSS-CULTURAL SERVICES

Financial Statements March 31, 2018

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AKLER, BROWNING, FRIMET & LANDZBERG LLP

CHARTERED ACCOUNTANTS

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, 2018, 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, 2018, 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 19, 2018

CATHOLIC CROSS-CULTURAL SERVICES

Statement of Financial Position

March 31, 2018

	2018	2017
Assets		
Current		
Cash	\$ 1,101,396	\$ 243,806
Government grants receivable	259,405	818,714
HST rebate receivable	135,907	108,873
Prepays and sundry receivables	476,989	311,084
Total Current	1,973,697	1,482,477
Property and equipment (note 2)	156,132	157,522
Total Assets	\$ 2,129,829	\$ 1,639,999
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,150,726	\$ 694,640
Government remittances payable	111,580	15,730
Deferred contributions	41,746	180,140
Total Current	1,304,052	890,510
Deferred contributions related to property and equipment (note 3)	156,132	-
Total Liabilities	1,460,184	890,510
Fund Balances		
Unrestricted Net Funds	348,963	328,807
Internally Restricted Reserve Funds	320,682	420,682
Total Fund Balances	669,645	749,489
Total Liabilities and Fund Balances	\$ 2,129,829	\$ 1,639,999

Approved on behalf of the Board:

Stephane Perreault Director
July 19, 2018 Date

[Signature] Director

CATHOLIC CROSS-CULTURAL SERVICES**Statement of Unrestricted Net Funds****Year ended March 31, 2018**

	2018	2017
Balance, beginning of year	\$ 328,807	\$ 299,150
Add (deduct)		
(Deficiency) excess of revenues over expenditures	(79,844)	29,657
Allocation from internally restricted reserve funds	100,000	-
Balance, end of year	\$ 348,963	\$ 328,807

Statement of Internally Restricted Reserve Funds**Year ended March 31, 2018**

	2018	2017
Balance, beginning of year	\$ 420,682	\$ 420,682
Deduct		
Allocation to unrestricted net funds	(100,000)	-
Balance, end of year	\$ 320,682	\$ 420,682

CATHOLIC CROSS-CULTURAL SERVICES

Statement of Operations Year ended March 31, 2018

	Toronto Region	Peel Region	Central Admin	2018	2017
Revenues					
IRCC - Welcoming Communities	\$ 3,491,746	\$ -	\$ -	\$ 3,491,746	\$ 3,206,990
IRCC - Language and Skills Development	1,705,327	1,607,764	-	3,313,091	3,101,158
IRCC - Orientation	-	1,917,650	-	1,917,650	1,638,895
IRCC - RSTP	1,594,718	-	-	1,594,718	938,135
Ministry of Citizenship and Immigration - NSP	473,959	145,716	-	619,675	419,221
IRCC- Labour Market Access	329,918	132,249	-	462,167	443,918
CIC - LIP	349,995	-	-	349,995	350,000
Ministry of Community and Social Services - VAW	-	279,273	-	279,273	278,299
Pay Equity revenue	101,509	77,334	22,839	201,682	201,683
Catholic Charities	45,749	102,494	42,024	190,267	190,268
Earned income	16,675	19,597	149,606	185,878	207,830
City of Toronto	119,631	-	19,615	139,246	142,705
United Way Peel Region	-	129,791	-	129,791	131,426
ESDC	55,091	-	-	55,091	43,528
Donations	-	120	3,426	3,546	2,846
Regional Municipality of Peel	-	-	-	-	46,264
Ontario Trillium Foundation	-	-	-	-	2,763
	8,284,318	4,411,988	237,510	12,933,816	11,345,929
Expenditures					
Wages	4,569,432	2,518,706	864,483	7,952,621	7,025,397
Building occupancy	853,410	804,733	20,875	1,679,018	1,614,235
Employee benefits	901,250	528,444	172,109	1,601,803	1,460,876
Program expenses	832,347	76,931	-	909,278	612,361
Equipment lease and purchase	226,627	139,755	17,017	383,399	206,081
Office and general	191,546	62,458	27,093	281,097	277,913
Staff travel	69,648	7,438	-	77,086	70,962
Purchased services	33,802	8,568	7,098	49,468	18,237
Promotion and publicity	13,440	317	14,641	28,398	21,308
Amortization	27,553	-	-	27,553	-
Training and conferences	8,153	2,153	13,633	23,939	8,902
Program and central administration allocation	557,110	262,485	-	819,595	693,655
Absorbed by departments	-	-	(819,595)	(819,595)	(693,655)
	8,284,318	4,411,988	317,354	13,013,660	11,316,272
(Deficiency) excess of revenues over expenditures	-	-	(79,844)	(79,844)	29,657
Allocation from internally restricted reserve funds (note 6)	-	-	100,000	100,000	-
	\$ -	\$ -	\$ 20,156	\$ 20,156	\$ 29,657

CATHOLIC CROSS-CULTURAL SERVICES**Statement of Cash Flows****Year ended March 31, 2018**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ (79,844)	\$ 29,657
Adjustments for non-cash items		
Amortization	27,553	-
Amortization of deferred contributions related to property and equipment	(27,553)	-
	(79,844)	29,657
Net change in non-cash working capital items		
Government grants receivable	559,309	154,139
HST rebate receivable	(27,034)	50,414
Prepays and sundry receivables	(165,905)	(34,648)
Accounts payable and accrued liabilities	456,087	(412,832)
Government remittances payable	95,850	(72,651)
Deferred contributions	(138,394)	(24)
	779,913	(315,602)
Cash Provided by (Used in) Operating Activities	700,069	(285,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(26,164)	(157,522)
Cash Used in Investing Activities	(26,164)	(157,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contributions related to property and equipment	183,685	-
Cash Provided by Financing Activities	183,685	-
Net increase (decrease) in cash	857,590	(443,467)
Cash, beginning of year	243,806	687,273
Cash, end of year	\$ 1,101,396	\$ 243,806

CATHOLIC CROSS-CULTURAL SERVICES

Notes to the Financial Statements

March 31, 2018

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) **Property and equipment**

Amortization of leasehold improvements is recorded over the remaining term of the lease.

(b) **Impairment of long-lived assets**

Property and equipment subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(c) **Deferred contributions related to property and equipment**

Deferred contributions related to property and equipment represent restricted contributions for leasehold improvements. Deferred capital contributions are recognized as revenue on the same basis as the related property and equipment is being amortized.

(d) **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.

(e) **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.

CATHOLIC CROSS-CULTURAL SERVICES

Notes to the Financial Statements

March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

(f) 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.

(g) 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 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.

(h) 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.

CATHOLIC CROSS-CULTURAL SERVICES

Notes to the Financial Statements

March 31, 2018

2. PROPERTY AND EQUIPMENT

	2018		2017	
	Cost	Accumulated amortization	Net	Net
Leasehold improvements	\$ 183,685	\$ 27,553	\$ 156,132	\$ 157,522

3. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

	2018		2017	
Add: Contributions spent on property and equipment	\$ 183,685	\$ -		
Less: Amounts amortized to revenue	(27,553)	-		
	\$ 156,132	\$ -		

4. 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, 2018, the organization received \$119,933 (2017 - \$119,933) from the Ministry of Citizenship and Immigration towards this program. During the same period, the organization received \$81,749 (2017 - \$81,750) from the Ministry of Community and Social Services.

5. 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, 2018 inclusive of the minimum amortization payment was \$25,392 (2017 - \$19,686).

CATHOLIC CROSS-CULTURAL SERVICES

Notes to the Financial Statements

March 31, 2018

6. 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 \$235,682 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 \$1,091,500.

During the current year the Board of Directors approved a transfer of \$100,000 from the Internally Restricted Reserve Funds to the Unrestricted Net Funds.

7. 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, 2018, the loan amounted to \$NIL.

CATHOLIC CROSS-CULTURAL SERVICES

Notes to the Financial Statements

March 31, 2018

8. LEASE COMMITMENTS

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

2019	\$	934,278
2020		613,983
2021		333,613
2022		230,757
2023		243,650
		<hr/>
		\$ 2,356,281

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	62,892
1200 Markham Road Unit 525, LL25 Scarborough, Ontario	February 28, 2023	17,004
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
55 Town Centre Court Suite 401 Scarborough, Ontario	February 28, 2023	165,755

CATHOLIC CROSS-CULTURAL SERVICES

Notes to the Financial Statements

March 31, 2018

9. ECONOMIC DEPENDENCE

Approximately 86% (2017 - 85%) of revenues are derived from Immigration, Refugees and Citizenship Canada. Without this level of support the continued existence of the organization is unlikely.

10. 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 72% of year end government grants receivable is from one government agency (2017 - 93%).

(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.
