Creating Alternatives Day Program

Independent Auditor's Report

FINANCIAL STATEMENTS

December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of
Creating Alternatives Day Program

Report on the Audit of the Financial Statements

Qualified Opinion
We have audited the financial statements of Creating Alternatives Day Program, which comprise the statement of financial position as at December 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Except as noted in the following paragraph, in our opinion, the financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2019 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 (ASNPO).

Basis for Qualified Opinion
Creating Alternatives Day Program derives revenue from the general public in the form of donations, the completeness of which is not susceptible to adequate audit examination. Accordingly, our verification of revenue was limited to accounting for the amounts recorded in the records and authorized depositories and therefore we were not able to determine whether any adjustments might be necessary to revenues, deficiency of revenue over expenditures, assets, and net assets.

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 of our report. We are independent of the organization 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 opinion.

Responsibilities of Management and directors for the Financial Statements
Management and directors are responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, and for such internal control as management and directors determine 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 and directors are responsible for assessing the organization’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 and directors either intend to liquidate the organization or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization’s financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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 judgment 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 organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and directors.

- Conclude on the appropriateness of management and directors' 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 organization'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 organization to cease to continue as a going concern.

- 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.

Formusa Zuccaro L.L.P.

Vaughan, Ontario
June 25, 2020

Chartered Professional Accountants
Licensed Public Accountants

Creating Alternatives Day Program

STATEMENT OF FINANCIAL POSITION

As at December 31	2019	2018
ASSETS		
Current		
Cash	**$ 396,220**	$ 218,908
Accounts receivable	**10,150**	1,410
Prepaid expenses and deposits	**13,459**	18,379
HST receivable	**17,282**	11,464
	437,111	250,161
Equipment and leasehold improvements (note 2)	**58,405**	86,014
	$ 495,516	$ 336,175
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 19,358**	$ 17,701
Government remittances payable	**2,501**	2,501
Deferred Angel's foundation grant revenue	**10,000**	-
	31,859	20,202
Net assets (note 3)	**463,657**	315,973
	$ 495,516	$ 336,175

Approved on behalf of the board

____________________ Director ____________________ Director

See accompanying notes to financial statements

Creating Alternatives Day Program

STATEMENT OF OPERATIONS AND

Year ended December 31	2019	2018
Revenues		
Angels foundation grant	**$ 2,000**	$ 14,462
Donations-general	**56,135**	39,561
Donations in kind - event tickets and fundraising	**636,464**	249,460
Fees for services	**554,304**	429,906
Fundraising events	**383,705**	262,692
HRDC funding	**25,604**	25,520
MCSS base funding	**20,570**	22,440
Program expense recoveries	**6,232**	7,182
Trillium funding	**-**	63,400
	1,685,014	1,114,623
Expenditures		
Advertising and promotion	**7,066**	120
Amortization	**31,304**	31,286
Consulting fees	**6,365**	9,193
Event tickets	**636,464**	244,296
Fundraising costs	**93,802**	87,444
Grant expenses	**17,575**	13,923
Insurance	**10,016**	10,420
Interest and bank charges	**5,379**	4,526
Office and general	**26,356**	15,508
Professional fees	**5,895**	4,000
Program costs	**61,907**	33,344
Rent	**76,288**	69,411
Salaries and related benefits	**533,406**	491,215
Telephone	**2,490**	2,627
Utilities	**13,292**	13,842
Vehicle	**9,725**	13,036
	1,537,330	1,044,191
Excess of revenues over expenditures	**$ 147,684**	$ 70,432

Creating Alternatives Day Program

STATEMENT OF

Year ended December 31	2019	2018
Balance, beginning of year	**$ 315,973**	$ 245,541
Excess of revenues over expenditures	**147,684**	70,432
Balance, end of year	**$ 463,657**	$ 315,973

See accompanying notes to financial statements

Creating Alternatives Day Program

STATEMENT OF CASH FLOWS

Year ended December 31	2019	2018
Cash provided by (used for):		
Operating		
Excess of revenues over expenditures	**$ 147,684**	$ 70,432
Adjustment for		
Amortization	**31,304**	31,286
	178,988	101,718
Change in non-cash working capital items		
Accounts receivable	**(8,740)**	4,415
Prepaid expenses and deposits	**4,920**	105
HST receivable	**(5,818)**	4,715
Accounts payable and accrued liabilities	**1,657**	476
Government remittances payable	**-**	2,501
Deferred Angel's foundation grant revenue	**10,000**	(12,271)
	181,007	101,659
Investing		
Purchase of equipment	**(3,695)**	(4,128)
Increase in cash	**177,312**	97,531
Cash, beginning of year	**218,908**	121,377
Cash, end of year	**$ 396,220**	$ 218,908

See accompanying notes to financial statements

NATURE OF OPERATIONS

Creating Alternatives Day Program is a registered charitable organization incorporated without share capital under the Ontario Business Corporations Act on March 15, 2002. The mission of the organization is to provide life and job-skills training and experience to people with cognitive challenges so that they can integrate actively within their respective communities.

As a registered charity, the organization is exempt from tax under provisions of the Income Tax Act (Canada).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows.

(a) **Fund accounting**

The organization follows the deferral method of accounting for contributions which includes grants and donations. Contributions of property and equipment are included as deferred contributions and are amortized to revenue at the same rate and on the same basis as amortization of the related property and equipment.

Restricted contributions are recognized as revenue in the year in which the related expenses are made. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

(b) **Cash and cash equivalents**

The organization considers all investments with maturities of three months or less and demand bank loans that are utilized periodically for day to day operations to be cash equivalents.

(c) **Equipment and leasehold improvements**

Equipment and leasehold improvements are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the equipment and leasehold improvements over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rate and method is as follows:

Equipment	20% Declining balance

Amortization of leasehold improvements is recorded on a straight-line basis over a ten-year period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(c) Equipment and leasehold improvements continued

The estimated useful lives of assets are reviewed by management and its directors and adjusted if necessary.

(d) Donated materials and services

Volunteers contribute time to assist the organization in carrying out various programs for its participants. Donated capital, material and third party services with a determinable fair value are recorded in the financial statements on the date of the donation. Donated services are not recorded because the fair market value is not readily determinable. With the exception of volunteer time, such services are not significant.

(e) Government assistance

Government and other grants related to capital assets are accounted for as deferred government assistance and amortized on the same basis as the related capital assets. Operating grants are accounted for at the gross amount received from the applicable funding body.

(f) Financial risk management objectives and policies

Consistent with similar not-for-profit organizations, risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. Management has not entered into hedging transactions to manage risk. As a part of the overall management of the entity's operations, management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the organization's exposure.

(g) Measurement uncertainty

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 reported period. Actual results could differ from those estimates.

The significant estimates within these financial statements include the estimated useful lives of the property and equipment and the amortization rates used to amortize such assets.

2. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	**$ 100,458**	**$ 83,247**	**$ 17,211**	$ 17,357
Leasehold improvements	**274,628**	**233,434**	**41,194**	68,657
	$ 375,086	**$ 316,681**	**$ 58,405**	$ 86,014

3. NET ASSETS

	2019	2018
Invested in capital assets	**$ 53,583**	$ 86,014
Unrestricted net assets	**410,074**	229,959
	$ 463,657	$ 315,973

4. CONTRACTUAL COMMITMENT

The organization entered into a lease agreement for premises with an expiry date of March 31, 2021. The organization's minimum lease payments under this lease for the next two years, exclusive of occupancy costs and TMI, is as follows:

2020	$ 39,005
2021	9,858
	$ 48,863

5. SUBSEQUENT EVENT

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and is causing significant financial and social dislocation. The situation is dynamic with various cities and counties around the world responding in different ways to address the outbreak. The extent of the impact of COVID-19 pandemic on the future cash flows is uncertain.

6. REMUNERATION OF BOARD OF DIRECTORS

Members of the Board of Directors are volunteers who serve without remuneration.

7. 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) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates.

(b) Credit risk

The organization does have credit risk in accounts receivable of $10,150 (2018 - $1,410). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The organization reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The organization maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the organization is low and is not material. No allowance for doubtful accounts has been established for 2019 (2018-$ Nil).

(c) Liquidity risk

The organization does have a liquidity risk in the accounts payable and accrued liabilities of $19,358 (2018 - $17,701). Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate line of credit to repay trade creditors. In the opinion of management, the liquidity risk exposure to the organization is low and is not material.