

Financial statements of

**Tropicana Community  
Services Organization**

March 31, 2012

# Tropicana Community Services Organization

March 31, 2012

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## **Independent Auditor's Report**

To the Members of Tropicana Community Services Organization

We have audited the accompanying financial statements of Tropicana Community Services Organization (the "Organization"), which comprise the balance sheet as at March 31, 2012, and the statements of revenues, expenses and changes in fund balances and of 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 generally accepted accounting principles, 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 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.

We believe that the audit evidence we have obtained in our audit 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 the Organization as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants  
June 22, 2012

# Tropicana Community Services Organization

## Balance sheet

as at March 31, 2012

	2012	2011
	\$	\$
<b>Assets</b>		
Current assets		
Cash and term deposits	685,043	895,039
Accounts receivable	903,674	882,447
Deposits and prepaid expenses	108,625	80,547
	<u>1,697,342</u>	<u>1,858,033</u>
Capital assets (Note 4)	2,965,287	368,172
	<u>4,662,629</u>	<u>2,226,205</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	856,145	655,427
Current portion of long-term debt (Note 5)	32,439	-
Amount due to funders (Note 6)	565,217	521,908
Deferred revenue (Note 7)	362,302	514,108
	<u>1,816,103</u>	<u>1,691,443</u>
Long-term debt (Note 5)	904,911	-
Deferred capital grant (Note 8)	660,000	-
	<u>1,564,911</u>	<u>-</u>
	<u>3,381,014</u>	<u>1,691,443</u>
<b>Fund balances</b>		
General		
Invested in capital assets (Note 9)	1,367,937	368,172
Unrestricted	(570,186)	(121,573)
	<u>797,751</u>	<u>246,599</u>
Restricted	204,655	34,890
Capital building (Note 10)	279,209	253,273
	<u>1,281,615</u>	<u>534,762</u>
	<u>4,662,629</u>	<u>2,226,205</u>

On behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# Tropicana Community Services Organization

## Statement of revenue, expenses and changes in fund balances year ended March 31, 2012

	2012											2011	
	Unrestricted		Restricted							Capital Building Fund	Total	Total	
	General	CAC-NSP	Daycare	A.Y.C.E.	S.Y.R.C.	MCYS Capital Project	Summer Jobs For Youth	Microsoft ProTech	Trusteed Projects	Total Restricted			
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>													
City of Toronto fees	-	-	728,243	-	-	-	-	-	-	728,243	-	728,243	731,515
City of Toronto grants	75,803	-	145,390	43,850	-	-	-	39,029	-	228,269	-	304,072	380,164
Provincial grants	205,092	41,718	-	3,164,160	-	-	4,300,796	-	32,535	7,497,491	-	7,744,301	7,842,554
Less: Unspent provincial grants	-	-	-	(125,746)	-	-	-	-	-	(125,746)	-	(125,746)	(512,214)
Federal grants	5,996	-	7,282	14,967	270,403	-	-	-	-	292,652	-	298,648	505,104
United Way	415,149	-	-	-	52,713	-	-	-	-	289,054	11,751	715,954	572,026
Ontario Trillium Foundation	-	-	-	-	73,886	-	-	-	88,018	161,904	-	161,904	78,350
Membership and donations	56,170	-	150	-	1,688	-	-	95,198	-	97,036	14,015	167,221	209,566
Parents fees	23,560	-	51,189	-	2,218	-	-	-	-	53,407	-	76,967	63,242
Fund raising projects-net	38,192	-	-	-	2,136	-	-	-	-	2,136	-	40,328	23,573
Other income and expense recoveries	167,978	-	-	37,961	5,758	8,857	-	-	-	52,576	170	220,724	300,891
Interest income	4,150	-	-	-	-	-	-	-	-	-	-	4,150	2,073
Rental income	3,120	-	-	-	626	-	-	-	-	626	-	3,746	3,125
	<b>995,210</b>	<b>41,718</b>	<b>932,254</b>	<b>3,135,192</b>	<b>409,428</b>	<b>8,857</b>	<b>4,300,796</b>	<b>95,198</b>	<b>395,923</b>	<b>9,277,648</b>	<b>25,936</b>	<b>10,340,512</b>	<b>10,199,969</b>
<b>Expenses</b>													
Advertising and promotion	38,820	-	-	82,996	717	-	31,241	-	257	115,211	-	154,031	149,187
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	1,606
Fund raising expenses	31,695	-	-	-	-	-	-	-	-	-	-	31,695	39,473
Amortization	19,716	-	3,438	35,884	2,341	-	43,865	-	267	85,795	-	105,511	117,898
Equipment lease	27,452	-	3,408	13,617	6,002	-	2,813	-	-	25,840	-	53,292	53,453
Food	10,655	-	55,640	1,286	454	-	7,860	-	7,964	73,204	-	83,859	85,010
Insurance	8,735	-	4,739	13,836	1,163	-	-	-	2,743	22,481	-	31,216	26,316
Employment service reimbursement	-	-	-	240,588	-	-	-	-	-	240,588	-	240,588	217,160
HRSDC participants' reimbursement	-	-	-	-	156,797	-	-	-	-	156,797	-	156,797	159,830
Non-recoverable portion of HST	14,779	-	4,840	18,711	933	-	16,385	567	1,745	43,181	-	57,960	41,191
OSJS reimbursement	-	-	-	627,641	-	-	-	-	-	627,641	-	627,641	591,741
Professional fees	73,526	-	7,603	65,635	7,747	-	44,558	11,679	76,560	213,782	-	287,308	221,451
Program supplies	8,679	-	17,112	23,587	79	-	59,980	-	34,099	134,857	-	143,536	208,837
Rent, utilities and cleaning	171,681	-	16,021	158,014	71	8,291	20,778	-	1,100	204,275	-	375,956	367,341
Salaries and benefits	1,221,254	37,982	706,524	1,450,139	221,825	-	3,220,395	80,186	185,028	5,864,097	-	7,123,333	7,392,740
Special projects	226	-	2,963	151,551	-	-	65	-	400	154,979	-	155,205	270,765
Stationery, office supplies and bank charges	70,990	3,391	5,441	50,593	11,439	-	380,399	2,231	76,917	527,020	-	601,401	426,394
Telephone	9,812	-	4,003	8,499	2,928	-	5,783	535	5,595	27,343	-	37,155	36,177
Travel	4,345	345	52	8,051	1,544	-	9,832	-	3,006	22,485	-	27,175	28,958
	<b>1,712,365</b>	<b>41,718</b>	<b>831,784</b>	<b>2,950,628</b>	<b>414,040</b>	<b>8,291</b>	<b>3,843,954</b>	<b>95,198</b>	<b>395,681</b>	<b>8,539,576</b>	<b>-</b>	<b>10,293,659</b>	<b>10,435,528</b>
Allocation - administration expenses	(651,816)	-	48,000	187,512	27,801	-	388,503	-	-	651,816	-	-	-
Adjusted total expenses	<b>1,060,549</b>	<b>41,718</b>	<b>879,784</b>	<b>3,138,140</b>	<b>441,841</b>	<b>8,291</b>	<b>4,232,457</b>	<b>95,198</b>	<b>395,681</b>	<b>9,191,392</b>	<b>-</b>	<b>10,293,659</b>	<b>10,435,528</b>
Excess (deficiency) of revenue over expenses	(65,339)	-	52,470	(2,948)	(32,413)	566	68,339	-	242	86,256	25,936	46,853	(235,559)
Grant for purchase of land (Note 4)	700,000	-	-	-	-	-	-	-	-	-	-	700,000	-
Fund balance, beginning of year	163,090	-	226,512	(197,852)	(78,403)	-	168,142	-	-	118,399	253,273	534,762	770,321
Fund balances, end of year	<b>797,751</b>	<b>-</b>	<b>278,982</b>	<b>(200,800)</b>	<b>(110,816)</b>	<b>566</b>	<b>236,481</b>	<b>-</b>	<b>242</b>	<b>204,655</b>	<b>279,209</b>	<b>1,281,615</b>	<b>534,762</b>

# Tropicana Community Services Organization

## Statement of cash flows year ended March 31, 2012

	2012	2011
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses (expenses over revenue)	46,853	(235,559)
Item not affecting cash		
Amortization of capital assets	105,511	117,898
	<b>152,364</b>	<b>(117,661)</b>
Changes in non cash working capital items		
Accounts receivable	(21,227)	117,752
Deposits and prepaid expenses	(28,078)	(31,949)
Accounts payable and accrued liabilities	200,718	14,783
Amount due to funders	43,309	143,688
Deferred revenue	(151,806)	(167,436)
	<b>195,280</b>	<b>(40,823)</b>
<b>Investing activities</b>		
Grant for purchase of land	700,000	-
Deferred capital grant	660,000	-
Purchase of capital assets	(2,702,626)	(18,874)
	<b>(1,342,626)</b>	<b>(18,874)</b>
<b>Financing activity</b>		
Long-term debt	937,350	-
Decrease in cash and term deposits	(209,996)	(59,697)
Cash and term deposits, beginning of year	895,039	954,736
<b>Cash and term deposits, end of year</b>	<b>685,043</b>	<b>895,039</b>
<b>Cash and term deposits comprise the following:</b>		
Cash	308,894	521,690
Term deposits	376,149	373,349
	<b>685,043</b>	<b>895,039</b>
<b>Supplementary cash flow information</b>		
Interest paid	2,898	-

# Tropicana Community Services Organization

## Notes to the financial statements

March 31, 2012

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### 1. Purpose of Organization

Tropicana Community Services Organization (the "Organization") is a charitable organization providing culturally appropriate social services in east Toronto, focusing on the needs of youth and the Caribbean and Black communities.

Through the cooperative efforts of staff, volunteers and community partners, the Organization provides counseling and other support programs to have an enduring positive impact in building a healthier community, by enhancing self-reliance and self-worth.

The Organization is a charitable organization under the Income Tax Act and therefore, is not subject to either Federal or Provincial income taxes.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, using the restricted method for recognizing restricted contributions, and reflect the following policies:

#### *Capital assets*

Capital assets are recorded at cost and are amortized over their estimated useful lives at the following annual rates:

Furniture and equipment	-	20% declining-balance
Computer equipment	-	33.33% declining-balance

Leasehold improvements are amortized on a straight-line basis over the term of the leases.

#### *Revenue recognition*

Restricted donations or grants are recognized as revenue of the appropriate restricted funds. All other restricted donations or grants for which no restricted funds have been established are deferred and recognized as revenue of the General Fund in the years in which the related expense are incurred. Unrestricted donations or grants are recognized as revenue of the General Fund.

#### *Fund balance*

Upon completion of each program and subsequent final settlement with the primary funding agency, any remaining fund balance is transferred into the General Fund balance or as contracted with the Funder, included in the appropriate Restricted Fund.

#### *Donated services*

The work of the Organization is dependent on the voluntary services of many members. Due to the difficulty of determining the fair value of these services, they are not recognized in these financial statements and no official receipts are therefore issued.

#### *Financial instruments*

The Organization has classified each of its financial instruments into the following categories, effective April 1, 2008. The category for an item determines its accounting.

<u>Asset/liability</u>	<u>Category</u>	<u>Measurement</u>
Cash and term deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Amount due to funders	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

# Tropicana Community Services Organization

## Notes to the financial statements

March 31, 2012

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

Held-for-trading items are carried at fair value, with changes in their fair value recognized in the Statement of revenue and expenses.

Accounts receivables are carried at amortized cost, using the effective interest method, net of any impairment.

Accounts payable and accrued liabilities, amount due to funders and long-term debt are carried at amortized cost, using the effective interest method.

### 3. Future accounting changes

In December 2010, the CICA issued a new accounting framework applicable to Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012, Not-for-Profit Organizations will have to choose between International Financial Reporting Standards ("IFRSs") and Canadian accounting standards for Not-for-Profit Organizations. The Organization currently plans to adopt the new accounting standards for Not-for-Profit Organizations for its fiscal year beginning on April 1, 2012. The impact of transitioning to these new standards has not been determined.

### 4. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	700,000	-	700,000	-
Building	1,851,899	-	1,851,899	-
Furniture and equipment	537,739	291,287	246,452	154,785
Computer equipment	623,490	532,207	91,283	118,821
Leasehold improvements	358,740	283,087	75,653	94,566
	<b>4,071,868</b>	<b>1,106,581</b>	<b>2,965,287</b>	<b>368,172</b>

The Organization purchased its own building on February 17, 2012, and will move to this new location when renovations have been completed. The value of the land has been determined by an independent appraiser. Amortization of the building will commence upon occupancy.

The Ministry of Children and Youth Services (the "Ministry"), agreed to assist the Organization by providing funds for the acquisition and renovation of the premises for use to operate the program approved by and/or funded by the Ministry. The financial assistance will equal the lesser of the Ministry's proportionate share of the actual approved cost, or \$2,000,000, whichever is less. \$1,360,000 has been contributed to date. The Ministry's proportionate interest in the premises will equal the Ministry's contribution divided by the expected fair market value of the premises after project completion.



# Tropicana Community Services Organization

## Notes to the financial statements

March 31, 2012

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### 5. Long-term debt

On February 14, 2012, the Organization entered into a fixed rate loan agreement with the Royal Bank of Canada. The original principal amount was \$940,000 and bears an annual interest rate of 3.70%. The loan is repayable by consecutive monthly blended payments of \$5,548, including interest, based on a 240-month amortization. The loan has a 36-month term and all outstanding principal and interest is payable in full at the end of the term. As security, the bank has a first ranking interest in all personal property of the Organization and also has a first fixed charge on the land and building (Note 4).

Long-term debt consists of the following:

	2012	2011
	\$	\$
Principal amount outstanding	937,350	-
Less current portion	32,439	-
Long-term portion	904,911	-

Principal repayments to the maturity date are as follows:

	\$
2013	32,439
2014	33,660
2015	871,251
	937,350

Interest paid for the year ended March 31, 2012 totaled \$2,898 (2011 - \$nil).

### 6. Amount due to funders

The amount represents unspent funding that will be recovered by the funders in the next fiscal year.

### 7. Deferred revenue

	2012	2011
	\$	\$
Trusted projects	140,489	210,703
Daycare (Note 12)	9,523	3,053
Other programs	212,290	300,352
	362,302	514,108

The Organization administers certain projects under the terms of trustee agreements. Revenue is recognized for these projects to the extent of expenses incurred, with the unspent amounts included in deferred revenue.

### 8. Deferred capital grant

The amount of \$660,000 was received during the year from the Ministry of Children and Youth Services and has been used towards the purchase of the building (Note 4). Amortization of the grant will be at the same rate as the building and will commence upon occupancy.

# Tropicana Community Services Organization

Notes to the financial statements

March 31, 2012

## 9. Invested in Capital assets fund

The invested in Capital assets fund consists of:

	2012	2011
	\$	\$
Net book value of capital assets	2,965,287	368,172
Long-term debt	(937,350)	-
Deferred capital grant	(660,000)	-
	<b>1,367,937</b>	<b>368,172</b>

## 10. Capital building fund

The Capital Building Fund is an internally restricted account that was established by the Board with the aim to appropriate contributions, and record funds expended, towards the future development of the Organization's own building.

## 11. Transfer Payment Annual Reconciliation ("TPAR")

The Organization has five Service Contracts/CFSA (Child and Family Services Act) Approvals with the Ministry of Community and Social Services and the Ministry of Children and Youth Services. The contracts require the completion of an annual program reconciliation report that summarizes by service, all revenues and expenses and identifies any resulting surplus or deficit.

A review of these reports shows the following services to be in surplus (deficit) position for the year ended March 31, 2012:

						2012	2011
	V. A. W. (Counsel. Service)	V. A. W. (Perf. Mngt. Framework)	V. A. W. (Capacity Building)	Summer Jobs For Youth	C.A.C. (Transitional Support)	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue per TPAR	124,853	2,100	8,584	4,316,696	69,555	4,521,788	4,389,093
Expenses per TPAR	124,853	2,132	8,584	4,300,796	74,649	4,511,014	4,389,048
Surplus per TPAR	-	(32)	-	15,900	(5,094)	10,774	45

## 12. Toronto Children's Services wage subsidies

	Wage subsidy	Pay equity	Wage improvement funding	Total
	\$	\$	\$	\$
Deferred from prior years (1)	3,053	-	-	3,053
Received in this fiscal year (2)	123,776	15,696	12,388	151,860
Wage subsidies expensed in this fiscal year (3)	117,306	15,696	12,388	145,390
Wage subsidies returned to Children's Services this fiscal year (4)	-	-	-	-
Wage subsidies deferred to future years (1) + (2) - (3) - (4)	9,523	-	-	9,523

# Tropicana Community Services Organization

## Notes to the financial statements

March 31, 2012

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### 13. Guarantees and commitments

#### (i) Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to the disclosure requirements of AcG-14 are as follows:

- a) The Organization has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements the Organization agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- b) Indemnity has been provided to all directors and or officers of the Organization for various items including, but not limited to, all costs to settle suits or actions due to association with the Organization, subject to certain restrictions. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Organization. The maximum amount of any potential future payment cannot be reasonably estimated.
- c) In the normal course of business, the Organization has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Organization to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

#### (ii) Commitments

The Organization has the following minimum lease commitments under operating leases, the latest expiry date of which is May 31, 2014:

	\$
2013	208,429
2014	63,938
2015	8,281
	<hr/> <hr/> 280,648

### 14. Capital disclosure

The Organization considers its capital to be restricted net assets and deferred revenue. The Organization's objectives when managing its capital is to meet any externally imposed restrictions and it has met that requirement.

# Tropicana Community Services Organization

Notes to the financial statements

March 31, 2012

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## 15. Financial instruments

### *Fair value*

The fair value of the Organization's accounts receivable, accounts payable and accrued liabilities and amount due to funders approximates their carrying value due to their short-term maturity.

### *Risks*

The Organization manages the risks associated with financial instruments as follows:

- Credit risk is the possibility that other parties may default on their financial obligations. The Organization manages its credit risk by renewing the allowance for potential credit losses on a regular basis.
- Interest rate risk is the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The Organization manages this risk on investments by investing in short term investments, which limits exposure to this risk. The Organization's mortgage is at a fixed rate which allows The Organization to manage future cash flows.

## 16. Project classification

Tropicana has several restricted and unrestricted projects to complete. The funds for restricted projects are to be used for those specific projects only. The following are programs carried out by the Organization during the year:

<b>Department</b>	<b>Program/Project</b>
<b><i>General</i></b>	
Administration/Capital Campaign/Fundraising	
C.A.C. - Culturally Appropriate Counselling	Family Counselling N.S.P. – Newcomer Settlement Program V.A.W. – Violence Against Women Transitional Support
Youth	Youth Development A.R.T. – Aggression Replacement Training Defy Your Label
Education	Tutoring Camp Tropicana March Break Camp
Special Projects	Parent Support
<b><i>Restricted</i></b>	
Children of Tomorrow Day Care Organizations	Pre-school/School Age Infant/Toddler
A.Y.C.E. - Alternative Youth Centre for Employment	Employment Service Employment Subsidies Pre-apprenticeship Training Program O.S.J.S. – Ontario Summer Jobs Service Entry Point Project Investing in Neighbourhood Bridging Business Careers
Youth Resource Centre	Scarborough Youth Resource Centre Leading Youth to Viable Employment YRC-Trillium

# Tropicana Community Services Organization

Notes to the financial statements

March 31, 2012

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## 16. Project classification (continued)

<b>Department</b> <b><i>Restricted</i></b>	<b>Program/Project</b>
Jobs for Youth	Summer Jobs For Youth
Trusted Projects	Building Sustainable Capacities YCF – Elevated Grounds Trillium – Elevated Grounds Trillium – NYICYG Pan Fantasy Steelband Dorset Park Youth Council Steeles/L'Amoreaux Youth Hub Steeles/L'Amoreaux Neighbourhood Action Service Development Investment Program Youth Opportunities Program
Special Projects	Microsoft ProTech Media Centre Identify N' Impact

## 17. Comparative amounts

The opening balances for the I.S.A.P. and I.Y. YCF Funds of (\$86,190) and \$2,681, respectively, have been combined with the General fund balance (in accordance with Note 2), as the programs have been completed.