

**Kinna-aweya Legal Clinic**  
**Financial Statements**  
*March 31, 2019*

**Kinna-aweya Legal Clinic  
Contents**

*For the year ended March 31, 2019*

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## **Management's Responsibility**

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To the Members and Board of Directors of Kinna-aweya Legal Clinic:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Clinic. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Clinic's external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 27, 2019

  
Director of Administration

# Independent Auditor's Report

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To the Members and Board of Directors of Kinna-aweya Legal Clinic:

## Opinion

We have audited the financial statements of Kinna-aweya Legal Clinic (the "Clinic"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Clinic as at March 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.

## Basis for Opinion

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 Clinic 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 opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Clinic'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 either intends to liquidate the Clinic or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Clinic's financial reporting process.

## 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 Clinic's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Clinic'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 Clinic 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.

Thunder Bay, Ontario

July 27, 2019

*MNP LLP*

Chartered Professional Accountants

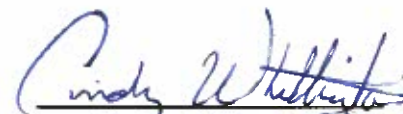
Licensed Public Accountants

**Kinna-aweya Legal Clinic**  
**Statement of Financial Position**  
*As at March 31, 2019*

	General Fund	Legal Disbursements Fund	Capital Fund	Tenant Duty Counsel Fund	Legal Clinic Housing Issues Committee Fund	Local Poverty Reduction Fund	Non-LAO Project Fund	Northern Regional Transformation Project Fund	2019	2018
<b>Assets</b>										
<b>Current</b>										
Cash	75,344	186	-	-	-	-	-	-	75,530	200,447
Guaranteed investment certificate (Note 3)	100,000	-	-	-	-	-	-	-	100,000	101,127
Accounts receivable	7,274	-	-	-	-	-	-	-	7,274	2,905
Prepaid expenses and deposits	17,105	-	-	-	-	-	-	-	17,105	16,547
HST receivable	14,277	217	-	-	-	-	-	-	14,494	13,048
	214,000	403	-	-	-	-	-	-	214,403	334,074
Capital assets (Note 4)	-	-	18,781	-	-	-	-	-	18,781	8,148
	214,000	403	18,781	-	-	-	-	-	233,184	342,222
<b>Liabilities</b>										
<b>Current</b>										
Accounts payable and accruals	17,430	-	-	-	-	-	-	-	17,430	78,633
Deferred contributions	-	-	-	-	-	-	-	-	-	5,000
Interfund payable (receivable) (Note 5)	162,453	-	-	(8,971)	(807)	(7,705)	(76,990)	(67,980)	-	-
	179,883	-	-	(8,971)	(807)	(7,705)	(76,990)	(67,980)	17,430	83,633
<b>Net Assets</b>										
Fund Balance	34,117	403	18,781	8,971	807	7,705	76,990	67,980	215,754	258,589
<b>Total liabilities and funds balance</b>	<b>214,000</b>	<b>403</b>	<b>18,781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,184</b>	<b>342,222</b>

Approved on behalf of the Board of Directors

  
 Director

  
 Director

Kinna-aweya Legal Clinic

Statement of Operations

For the year ended March 31, 2019

	General Fund	Legal Disbursements Fund	Capital Fund	Tenant Duty Counsel Fund	Legal Clinic Housing Issues Committee Fund	Local Poverty Reduction Fund	Non-LAO Project Fund	Northern Regional Transformation Project Fund	2019	2018
<b>Revenue</b>										
Legal Aid Ontario										
- direct receipts	1,861,641	13,220	-	-	-	-	-	-	1,874,861	1,715,260
- indirect receipts	18,410	-	17,702	-	-	-	-	-	36,112	8,644
Ontario Trillium Fund	-	-	-	-	-	36,000	-	-	36,000	36,000
Human Rights Legal Support Centre	-	-	-	-	-	-	-	-	-	10,971
Advocacy Centre for Tenants - Ontario	-	-	-	7,373	-	-	-	-	7,373	7,373
Northern Community Legal Clinic ("NRTC")	-	-	-	-	-	-	-	-	-	150,000
Recovered from clients	-	1,416	-	-	-	-	-	-	1,416	4,166
Donations	-	-	-	-	-	-	233	-	233	570
Other income	11,491	182	-	-	1,503	1,314	6,354	19,328	40,172	20,452
	<b>1,891,542</b>	<b>14,818</b>	<b>17,702</b>	<b>7,373</b>	<b>1,503</b>	<b>37,314</b>	<b>6,587</b>	<b>19,328</b>	<b>1,996,167</b>	<b>1,953,436</b>
<b>Expenses</b>										
Accommodations and equipment	147,456	-	-	-	-	-	-	-	147,456	126,691
Amortization	-	-	7,069	-	-	-	-	-	7,069	5,318
Audit fees	7,380	-	-	-	-	-	-	-	7,380	7,167
Benefits	256,503	-	-	-	-	3,872	-	11,484	271,859	253,306
Communications	27,882	-	-	-	-	-	-	-	27,882	38,189
Indirect payments	18,410	-	-	-	-	-	-	-	18,410	8,644
Legal disbursements	-	18,314	-	-	-	-	-	-	18,314	23,107
Professional dues	13,531	-	-	-	-	-	-	-	13,531	11,377
Project expense	43,935	-	-	1,307	696	11,008	50	939	57,935	74,116
Salaries	1,216,374	-	-	-	-	46,135	-	68,890	1,331,399	1,195,561
Supplies and services	39,291	-	-	-	-	1,454	6,321	674	47,740	75,808
Travel	54,915	-	-	-	-	823	-	7,106	62,844	58,684
	<b>1,825,677</b>	<b>18,314</b>	<b>7,069</b>	<b>1,307</b>	<b>696</b>	<b>63,292</b>	<b>6,371</b>	<b>89,093</b>	<b>2,011,819</b>	<b>1,877,968</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>65,865</b>	<b>(3,496)</b>	<b>10,633</b>	<b>6,066</b>	<b>807</b>	<b>(25,978)</b>	<b>216</b>	<b>(69,765)</b>	<b>(15,652)</b>	<b>75,468</b>

The accompanying notes are an integral part of these financial statements

**Kinna-aweya Legal Clinic**  
**Statement of Changes in Net Assets**  
*For the year ended March 31, 2019*

	<i>General Fund</i>	<i>Legal Disbursements Fund</i>	<i>Capital Fund</i>	<i>Tenant Duty Counsel Fund</i>	<i>Legal Clinic Housing Issues Committee Fund</i>	<i>Local Poverty Reduction Fund</i>	<i>Non-LAO Project Fund</i>	<i>Northern Regional Transformation Project Fund</i>	<b>2019</b>	<b>2018</b>
<b>Funds balance, beginning of year</b>	(4,565)	3,899	8,148	2,905	-	33,683	76,774	137,745	258,589	201,072
<b>Return of funding to LAO</b>	(27,183)	-	-	-	-	-	-	-	(27,183)	(17,951)
<b>Excess (deficiency) of revenue over expenses</b>	65,865	(3,496)	10,633	6,066	807	(25,978)	216	(69,765)	(15,652)	75,468
<b>Funds balance, end of year</b>	34,117	403	18,781	8,971	807	7,705	76,990	67,980	215,754	258,589



**Kinna-aweya Legal Clinic**  
**Statement of Cash Flows**  
*For the year ended March 31, 2019*

	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash paid for program service expenses	-	(3)
Cash received from funding agencies	<b>1,919,241</b>	1,964,629
Cash paid to suppliers and employees	<b>(2,027,583)</b>	(1,846,992)
	<b>(108,342)</b>	117,634
<b>Investing</b>		
Purchase of guaranteed investment certificate	-	(469)
Proceeds on disposal of guaranteed investment certificate	<b>1,127</b>	-
Purchase of capital assets	<b>(17,702)</b>	(851)
	<b>(16,575)</b>	(1,320)
<b>Increase (decrease) in cash resources</b>	<b>(124,917)</b>	116,314
<b>Cash resources, beginning of year</b>	<b>200,447</b>	84,133
<b>Cash resources, end of year</b>	<b>75,530</b>	200,447

*The accompanying notes are an integral part of these financial statements*

**1. Incorporation and nature of the organization**

Kinna-aweya Legal Clinic (the "Clinic") was incorporated without share capital under the authority of the Provincial Corporations Act as a not-for-profit organization and thus is exempt from income taxes under the Income Tax Act ("the Act").

The Clinic was formed to provide access to high quality administrative law services for low-income residents of the District of Thunder Bay, particularly Aboriginal people.

**2. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

***Fund accounting***

The Clinic follows the restricted fund method of accounting for contributions, and maintains eight funds: General Fund, Legal Disbursements Fund, Capital Fund, Tenant Duty Counsel Fund, Legal Clinic Housing Issues Committee Fund, Local Poverty Reduction Fund, Non-LAO Project Fund and Northern Regional Transformation Project Fund. All of the funds described below are restricted as to use by various agreements between the Clinic and Legal Aid Ontario ("LAO") or other funders as governed by those agreements. Title to the Clinic assets vests with Legal Aid Ontario.

**i) General Fund**

These funds are used to provide a range of legal and paralegal services, including information, advice and representation, to low-income individuals and families.

**ii) Legal Disbursements Fund**

These funds are used to provide certain direct expenses incurred in representing Clinic clients in legal proceedings.

**iii) Capital Fund**

This fund holds the capital assets of the Clinic that have been funded by Legal Aid Ontario.

**iv) Tenant Duty Counsel Fund**

These funds are provided by the Advocacy Centre for Tenants Ontario to compensate the Clinic for providing advice and representation to tenants at sittings of the Landlord and Tenant Board.

**v) Legal Clinic Housing Issues Committee Fund**

The Legal Clinic Housing Issues Committee Fund ("LCHIC") is a provincial inter-clinic group made up of housing workers from throughout the legal clinic system. LCHIC helps to coordinate housing legal and advocacy work across the clinic system by working with the regional housing study groups to raise systemic issues.

**vi) Local Poverty Reduction Fund**

The Local Poverty Reduction Fund ("LPRF") is administered by the Ontario Trillium Foundation. LPRF funds the Awenen Niin ID project including ID Services Coordinator, ID clinics, and the Awenen Niin ID Bank.

**vii) Non-LAO Project Fund**

The Clinic receives donations and other contributions that are used to fund client supports such as transportation assistance, snacks, and personal hygiene products.

**viii) Northern Regional Transformation Project Fund**

The Northern Regional Transformation Project Fund ("NRTP") is a collaborative project among the 11 northern legal clinics. The Clinic hosts a Speakers' School and Peer Support Organizer position on behalf of NRTP.

2. **Significant accounting policies** (Continued from previous page)

**Cash and cash equivalents**

Cash and cash equivalents includes cash held in chartered banks and petty cash.

**Capital assets**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	<b>Method</b>	<b>Rate</b>
Computer equipment	straight-line	3 years
Leasehold improvements	straight-line	5 years
Office equipment	straight-line	5 years
Telephone equipment	straight-line	8 years

**Long-lived assets**

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Clinic performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a group of long-lived assets is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from their use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in excess (deficiency) of revenue over expenses for the year.

**Leases**

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is made only in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible asset; or
- there is a substantial physical change to the specified tangible asset.

**2. Significant accounting policies** *(Continued from previous page)*

***Revenue recognition***

The Clinic uses the restricted fund method of accounting for revenue and maintains eight funds: General Fund, Legal Disbursements Fund, Capital Fund, Tenant Duty Counsel Fund, Legal Clinic Housing Issues Committee Fund, Local Poverty Reduction Fund, Non-LAO Project Fund and Northern Regional Transformation Project Fund.

The General Fund includes the Clinic's services and all unrestricted revenue. Contributions that are provided specifically for legal disbursements are reported directly in the Legal Disbursements Fund as revenue when received or receivable. Contributions that are provided specifically for capital purchases are reported directly in the Capital Fund as revenue when received or receivable. Contributions that are provided specifically for tenant casework services are reported directly in the Tenant Duty Counsel Fund as revenue when received or receivable. Contributions that are provided specifically for Clinic housing issues purposes are reported directly in the Legal Clinic Housing Issues Committee Fund as revenue when received or receivable. Contributions that are provided specifically for Local Poverty Reduction are reported directly in the Local Poverty Reduction Fund as revenue when received or receivable. Other Non-LAO contributions are included as revenue of the Non-LAO Project Fund when received or receivable. Contributions that are provided specifically for the Northern Regional Transformation Project Fund are reported directly in the Northern Regional Transformation Project Fund as revenue when received or receivable. Restricted contributions related to general operations are recognized as revenue of the operations program in the year in which the related expenses are incurred.

***Contributed materials and services***

The Clinic does not recognize the receipt of contributed materials and services.

***Allocation of expenses***

The Clinic engages in legal services for low income individuals. The costs of each program include the costs of project expenses and other expenses that are directly related to providing the program. The Clinic also incurs a number of general support expenses that are common to the administration of the Clinic and each of its programs.

The Clinic allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. All expenses in the funds have been allocated according to basis of allocation used by management.

***Measurement uncertainty (use of estimates)***

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of capital assets.

Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year-end.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue over expenses in the periods in which they become known.

**2. Significant accounting policies** (Continued from previous page)

**Financial instruments**

The Clinic recognizes its financial instruments when the Clinic becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook 4460 *Related Party Transactions*.

At initial recognition, the Clinic may irrevocably elect to subsequently measure any financial instrument at fair value. The Clinic has not made such an election during the year.

The Clinic subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Clinic's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

**3. Guaranteed investment certificate**

	<b>2019</b>	<i>2018</i>
Measured at fair value:		
CIBC Flexible Guaranteed Investment Certificate paying interest at 2.50%, maturing November 2019 (cost - \$100,000).	<b>100,000</b>	101,127

**4. Capital assets**

	<i>Cost</i>	<i>Accumulated amortization</i>	<b>2019 Net book value</b>	<i>2018 Net book value</i>
Computer equipment	198,332	182,938	15,394	1,232
Leasehold improvements	48,783	48,625	158	476
Office equipment	150,343	147,114	3,229	6,440
Telephone equipment	12,859	12,859	-	-
	<b>410,317</b>	<b>391,536</b>	<b>18,781</b>	<b>8,148</b>

**5. Interfund transactions**

During the year, amounts are owing to and from each of the funds due to transactions undertaken in the normal course of operations. The balance owing between the funds is non-interest bearing with no terms of repayment.

**6. Contingency**

A portion of the Clinic's net assets includes surpluses or deficits from funds contributed by Legal Aid Ontario. Such surpluses or deficits may be subject to recovery or repayment by the contributing agency, depending on the terms and conditions of the relevant contribution agreements. The potential liabilities or recoveries are not recorded until they become payable or recoverable.

**Kinna-aweya Legal Clinic**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2019*

**7. Indirect receipts and payments**

Legal Aid Ontario administers and makes payments on behalf of the Clinic for the following expenditures:

	2019	2018
<b>General Fund</b>		
Library	-	44
Pension and group insurance	94	419
Supplies and services	18,316	8,181
	18,410	8,644
<b>Capital Fund</b>		
Computer equipment	17,702	-

**8. Lease commitments**

The Clinic is committed to lease certain of its premises with lease expiry dates of January 31, 2020 and March 31, 2021, automobiles with lease expiry dates of January 31, 2021 and February 28, 2021, and equipment with lease expiry dates of October 31, 2021 and November 30, 2021. Mini Storage rental lease expires March 31, 2023. Minimum annual lease payments over the next five years are as follows:

	Premises	Automobiles	Equipment	Storage
2020	66,508	11,738	6,165	3,243
2021	15,280	10,271	6,165	3,243
2022	-	-	4,006	3,243
2023	-	-	-	3,243
	81,788	22,009	16,336	12,972

**9. Financial instruments**

The Clinic, as part of its operations, carries a number of financial instruments. It is management's opinion that the Clinic is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

**10. Economic dependence**

Approximately 91% of the Clinic's revenue is received from Legal Aid Ontario. The continuation of this Clinic is dependent upon this funding.

**11. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.