

**DOWNTOWN LEGAL SERVICES**  
**(A STUDENT LEGAL AID SERVICES SOCIETY)**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2014**

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**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of Downtown Legal Services, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets 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 judgement, 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 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 Downtown Legal Services as at March 31, 2014, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Respectfully submitted,



CHARTERED PROFESSIONAL ACCOUNTANTS.  
Licensed Public Accountants.

Toronto, Ontario.  
July 15, 2014.

**DOWNTOWN LEGAL SERVICES**  
**(A STUDENT LEGAL AID SERVICES SOCIETY)**

**STATEMENT OF FINANCIAL POSITION**

**MARCH 31, 2014**

	2014	2013
<b>ASSETS</b>		
Current		
Cash	\$ 213,902	\$ 262,283
Temporary investment - G.I.C.	31,972	31,392
Accounts receivable	38,977	29,189
Prepaid expenses and sundry assets	<u>31,145</u>	<u>42,425</u>
	315,996	365,289
Capital - at cost less accumulated amortization (note 3)	3,661	5,181
Cash held in trust for clients	4,539	2,720
Less - balance owing to clients	<u>(4,539)</u>	<u>(2,720)</u>
	<u>-</u>	<u>-</u>
	<u>\$ 319,657</u>	<u>\$ 370,470</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 12,826	\$ 50,349
Government remittances payable	<u>8,123</u>	<u>9,855</u>
	20,949	60,204
Capital contributions from funders	<u>2,421</u>	<u>3,458</u>
	<u>23,370</u>	<u>63,662</u>
<b>NET ASSETS</b>		
Net assets invested in capital	3,661	5,181
Net assets internally restricted for general purposes	292,551	301,051
Unrestricted net assets	<u>75</u>	<u>576</u>
	<u>296,287</u>	<u>306,808</u>
	<u>\$ 319,657</u>	<u>\$ 370,470</u>

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The accompanying notes form an integral part of these financial statements.

**DOWNTOWN LEGAL SERVICES**  
**(A STUDENT LEGAL AID SERVICES SOCIETY)**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED MARCH 31, 2014**

	Invested in capital assets	Restricted for general purposes	Unrestricted	2014 Total	2013 Total
<b>BALANCE</b> - Beginning of year	\$ 5,181	\$ 301,051	\$ 576	\$ 306,808	\$ 337,403
- Deficiency of revenues over expenses	(1,037)		(9,484)	(10,521)	(30,595)
- Investment in capital assets	(483)		483		
- Internally imposed restrictions	_____	(8,500)	8,500	_____	_____
<b>BALANCE</b> - End of year	\$ <u>3,661</u>	\$ <u>292,551</u>	\$ <u>75</u>	\$ <u>296,287</u>	\$ <u>306,808</u>

The accompanying notes form an integral  
part of these financial statements.

**DOWNTOWN LEGAL SERVICES**  
**(A STUDENT LEGAL AID SERVICES SOCIETY)**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2014**

	2014	2013
<b>REVENUES</b>		
Legal Aid Ontario	\$ 534,719	\$ 527,597
Students' Administrative Council	126,168	125,013
Faculty of Law, University of Toronto	120,000	120,000
Graduate Students' Union	43,991	41,958
Scarborough Campus Students' Union	12,078	11,458
Administrative Recovery	1,252	1,348
Fees Income/Affidavits etc.	1,050	1,155
Interest	590	589
Law Foundation of Ontario	-	36,696
Honoraria	-	500
Donations	-	55
Client Disbursements Recovery	<u>690</u>	<u>45</u>
	<b><u>840,538</u></b>	<b><u>866,414</u></b>
<b>EXPENSES</b>		
Personnel	739,015	778,877
Other professional services	48,574	38,167
Supplies	27,305	31,393
Transport/communications	22,941	34,460
Legal disbursements	12,101	10,187
Accommodation/equipment	<u>1,123</u>	<u>3,925</u>
	<b><u>851,059</u></b>	<b><u>897,009</u></b>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>\$ <u>(10,521)</u></b>	<b>\$ <u>(30,595)</u></b>

The accompanying notes form an integral  
part of these financial statements.

**DOWNTOWN LEGAL SERVICES**  
**(A STUDENT LEGAL AID SERVICES SOCIETY)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2014**

	2014	2013
Cash and cash equivalents provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	\$ <u>(10,521)</u>	\$ <u>(30,595)</u>
Adjustments for:		
Amortization	<u>483</u>	<u>(28)</u>
Changes in non-cash working capital:		
Increase in accounts receivable	(580)	(595)
(Increase) decrease in temporary investments	(9,788)	578
Decrease in prepaid expenses and sundry assets	11,280	18,634
Increase (decrease) in accounts payable and accrued liabilities	<u>(39,255)</u>	<u>5,730</u>
	<u>(38,343)</u>	<u>24,347</u>
Cash flow from operating activities:	<u>(48,381)</u>	<u>(6,276)</u>
Net decrease in cash and cash equivalents	(48,381)	(6,276)
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>262,283</u>	<u>268,559</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u>\$ 213,902</u>	<u>\$ 262,283</u>

The accompanying notes form an integral part of these financial statements.

**DOWNTOWN LEGAL SERVICES**  
**(A STUDENT LEGAL AID SERVICES SOCIETY)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit organizations in Part III of the CICA Handbook.

**(a) PURPOSE OF THE ORGANIZATION**

Downtown Legal Services is a community legal clinic operated by the University of Toronto Faculty of Law. They offer innovative legal services to low income clients. These services are provided by law students who are closely supervised by lawyers.

The society has been established under the Legal Aid Services Act, 1998 and is a not-for-profit organization, exempt from income taxes under Section 149 of the Income Tax Act.

**(b) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of highly liquid bank accounts and marketable investments with an original maturity date of 90 days or less.

**(c) ACCOUNTS RECEIVABLE**

Receipts are recorded in these financial statements on the accrual basis. Therefore, the amounts recorded in these financial statements may or may not correspond to the actual amounts received during the fiscal year.

**(d) AMORTIZATION**

Amortization of the capital assets has been provided at the following annual rates, consistent with those of the prior year:

Computer hardware	- 30% of unamortized cost
Office furniture and equipment	- 20% of unamortized cost

**(e) AMORTIZATION ON CAPITAL CONTRIBUTIONS FROM FUNDERS**

Funds received for the acquisition of capital assets are deferred in the accounts and amortized on the same basis as the related capital assets.

**(f) CONTRIBUTED MATERIALS AND SERVICES**

The organization does not account for contributed materials and services.

**(g) USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations requires the organization's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

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**DOWNTOWN LEGAL SERVICES**  
**(A STUDENT LEGAL AID SERVICES SOCIETY)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2014**

...Continued

**(h) REVENUE RECOGNITION**

The organization uses the deferral method in accounting for contributions. Accordingly, contributions subject to externally imposed restrictions are initially recorded as deferred revenue and are subsequently recognized as revenue in the period in which the related expenses are incurred.

**(i) FINANCIAL INSTRUMENTS**

The organization initially measures its financial assets and financial 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 the statement of operations.

Financial assets measured at amortized cost include cash, temporary investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable and capital contributions from funders.

**2. FINANCIAL INSTRUMENTS**

**(a) Liquidity Risk**

Liquidity risk is a risk that the organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The organization is exposed to liquidity risk arising primarily from the requirement to pay its payables and government remittances. The organization's ability to meet these obligations depends on the receipt of funds from its operations, which it monitors closely.

**(b) Other Risks**

The organization believes that it is not exposed to significant interest, currency, credit, market or other price risks arising from holding financial instruments.

**3. CAPITAL ASSETS**

	Cost	Accumulated Amortization	2014 Net	2013 Net
Computer hardware	\$ 40,144	\$ 36,753	\$ 3,391	\$ 4,844
Office furniture and equipment	<u>13,069</u>	<u>12,799</u>	<u>270</u>	<u>337</u>
	<u>\$ 53,213</u>	<u>\$ 49,552</u>	<u>\$ 3,661</u>	<u>\$ 5,181</u>