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**UNITY CHARITY**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Members,  
Unity Charity

We have audited the accompanying financial statements of Unity Charity, which comprise the statement of financial position as at August 31, 2017, and the statements of operations and 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 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 Unity Charity as at August 31, 2017, 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.



Chartered Professional Accountants  
Licensed Public Accountants

December 19, 2017  
Toronto, Ontario

# UNITY CHARITY

## STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2017

	2017	2016
<b>ASSETS</b>		
Current assets		
Cash	\$ 335,100	\$ 282,018
Guaranteed investment certificates (note 2)	152,197	150,888
Amounts receivable	69,943	59,085
HST recoverable	21,599	13,344
Prepaid expenses	<u>6,875</u>	<u>13,561</u>
	<u>\$ 585,714</u>	<u>\$ 518,896</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 16,481	\$ 6,314
Deferred contributions (note 4)	<u>130,000</u>	<u>38,501</u>
	<u>146,481</u>	<u>44,815</u>
Net assets		
Designated (note 5)	200,000	50,000
Unrestricted	<u>239,233</u>	<u>424,081</u>
	<u>439,233</u>	<u>474,081</u>
	<u>\$ 585,714</u>	<u>\$ 518,896</u>

Approved on behalf of the Board:

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

see accompanying notes

# UNITY CHARITY

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2017

	2017	2016
<b>REVENUE</b>		
Contributions (note 6)	\$ 1,108,601	\$ 896,607
Program fees	192,506	198,160
Arts Councils (note 7)	69,919	114,250
Product sales	4,026	10,445
Interest	<u>1,329</u>	<u>598</u>
	<u>1,376,381</u>	<u>1,220,060</u>
<b>EXPENSES</b>		
Program		
Personnel	550,801	440,470
Program delivery	388,664	354,355
Travel and accommodation	132,199	90,448
Fundraising		
Personnel	112,127	92,931
Marketing and materials	35,453	27,525
Administration		
Personnel	57,762	47,874
Office and administration	57,749	47,828
Professional fees	48,224	65,288
Rent	<u>28,250</u>	<u>26,918</u>
	<u>1,411,229</u>	<u>1,193,637</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	(34,848)	26,423
Net assets, beginning of year	<u>474,081</u>	<u>447,658</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 439,233</u>	<u>\$ 474,081</u>

see accompanying notes

# UNITY CHARITY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2017

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ (34,848)	\$ 26,423
Add net change in non-cash working capital items (see below)	<u>89,239</u>	<u>(147,217)</u>
Cash generated from (used for) operating activities	54,391	(120,794)
<b>INVESTING ACTIVITIES</b>		
Guaranteed investment certificates purchased	<u>(1,309)</u>	<u>(579)</u>
<b>NET CASH INCREASE (DECREASE) IN THE YEAR</b>	53,082	(121,373)
Cash, beginning of year	<u>282,018</u>	<u>403,391</u>
<b>CASH, END OF YEAR</b>	<u>\$ 335,100</u>	<u>\$ 282,018</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets		
Amounts receivable	\$ (10,858)	\$ (54,165)
HST recoverable	(8,255)	30,734
Prepaid expenses	6,686	(5,895)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	10,167	(17,052)
Deferred contributions	<u>91,499</u>	<u>(100,839)</u>
	<u>\$ 89,239</u>	<u>\$ (147,217)</u>

see accompanying notes

# UNITY CHARITY

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

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Unity Charity (the organization or Unity) is incorporated without share capital in the Province of Ontario. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The organization uses the arts to empower youth with the confidence and skills for success, uses hip hop to improve young people's lives creating healthier communities, and targets youth who may feel disconnected or overwhelmed by stress living in underserved communities.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered significant:

#### **Revenue recognition**

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

##### *Contributions*

The organization follows the deferral method of revenue recognition for contributions.

Externally restricted contributions, including project grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions.

Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received. Pledges are not recorded as revenue.

##### *Contributed materials and services*

Contributed materials and services which are normally purchased by the organization, are not recorded in the accounts.

##### *Program fees*

Program fee revenue is recognized as revenue in the period the service is delivered.

##### *Product sales*

Product sales revenue is recognized upon product delivery.

##### *Interest income*

Interest income is recognized over the term of the guaranteed investment certificates.

#### **Allocation of expenses**

The organization allocates personnel costs based on time spent.

### 2. GUARANTEED INVESTMENT CERTIFICATES

The guaranteed investment certificates are issued by a major Canadian chartered bank, bear an interest rate of 0.68% and mature in October 2017.

# UNITY CHARITY

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

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### 3. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS

The organization's financial instruments include cash, guaranteed investment certificates, amounts receivable, accounts payable and accrued liabilities. Accounts receivable, amounts payable and accrued liabilities are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value. The guaranteed investment certificates are recorded at cost plus accrued interest, which approximates fair value.

It is management's opinion that the organization's financial instruments are not exposed to significant financial risks and that existing cash balances and cash flows generated from operations are sufficient to meet the organization's financial liabilities. Fluctuations in market interest rates do not affect future cash flows from the organization's fixed rate guaranteed investment certificates.

### 4. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2017	2016
Deferred contributions, beginning of year	\$ 38,501	\$ 139,340
Amounts received from contributions and funding from Arts Councils	1,270,019	910,018
Contribution revenue and Arts Council funding recognized	<u>(1,178,520)</u>	<u>(1,010,857)</u>
Deferred contributions, end of year	<u>\$ 130,000</u>	<u>\$ 38,501</u>

### 5. DESIGNATED NET ASSETS

The Board of Directors has designated net assets of \$200,000 for contingency purposes (\$50,000 designated as at August 31, 2016).

### 6. CONTRIBUTIONS

Contributions were received from the following sources in the year:

	2017	2016
Corporations and sponsorships	\$ 523,508	\$ 484,802
Government funding	350,230	177,049
Individuals and third party events	132,388	89,663
Private foundations	<u>102,475</u>	<u>145,093</u>
	<u>\$ 1,108,601</u>	<u>\$ 896,607</u>

# UNITY CHARITY

## NOTES TO THE FINANCIAL STATEMENTS

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### 7. FUNDING FROM ARTS COUNCILS

Funding from Arts Councils recognized in the year is as follows:

	2017	2016
Toronto Arts Council		
Operating	\$ 24,000	\$ 24,000
Open Door Project	-	38,250
Other	4,000	2,000
 Ontario Arts Council		
Operating	20,000	20,000
Project	8,000	20,000
 Canada Council for the Arts		
Project	<u>13,919</u>	<u>10,000</u>
	<u>\$ 69,919</u>	<u>\$ 114,250</u>

### 8. LEASE COMMITMENT

The organization leases office space in Toronto, Ontario. Minimum annual lease payments over the term of the lease, which expires on May 31, 2018, are as follows:

2018	\$ 17,824
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