

ACCESS COMMUNITY CAPITAL FUND

Financial Statements

March 31, 2019

ACCESS COMMUNITY CAPITAL FUND

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Year Ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Access Community Capital Fund

Opinion

We have audited the financial statements of Access Community Capital Fund ("ACCESS"), which comprise the statement of financial position as at March 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ACCESS 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 ACCESS 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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 ACCESS's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate ACCESS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ACCESS'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.

(continues)

Independent Auditor's Report to the Members of Access Community Capital Fund *(continued)*

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 ACCESS'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 ACCESS'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 ACCESS 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
September 18, 2019

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

ACCESS COMMUNITY CAPITAL FUND

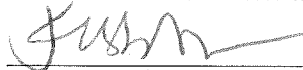
Statement of Financial Position

As at March 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash (Note 3)	\$ 297,688	\$ 128,421
Short term investments (Note 3)	56,307	188,038
Accounts receivable	700	-
Loans receivable (Note 4)	4,333	7,713
Harmonized Sales Tax recoverable	6,592	3,648
Prepaid expenses	2,867	2,358
	368,487	330,178
INVESTMENTS (Note 3)	91,854	-
	\$ 460,341	\$ 330,178
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 3 and 5)	\$ 34,791	\$ 29,762
Deferred grants	39,409	57,495
Current portion of investors' loans payable (Note 3)	143,068	145,005
	217,268	232,262
LONG TERM		
Investors' loans payable (Note 3)	51,500	51,500
Loan payable (Note 6)	145,000	-
	196,500	51,500
	413,768	283,762
NET ASSETS		
UNRESTRICTED	46,573	46,416
	\$ 460,341	\$ 330,178

LEASE COMMITMENT (Note 9)

APPROVED ON BEHALF OF THE BOARD

 _____ Director

 _____ Director

See the accompanying notes to these financial statements

ACCESS COMMUNITY CAPITAL FUND
Statement of Operations and Changes in Net Assets
Year Ended March 31, 2019

	2019	2018
REVENUES		
Grants <i>(Note 7)</i>	\$ 282,524	\$ 131,265
Donations	50,181	71,925
Guarantee and loan administration fees	5,197	6,795
Interest	2,781	2,782
Donations-in-kind	-	31
	<u>340,683</u>	<u>212,798</u>
EXPENSES		
Program costs	280,823	159,293
Defaulted loans	15,607	18,940
Professional fees	13,016	6,704
Office and general	12,568	7,729
Rental	10,989	9,579
Advertising and promotion	4,458	1,377
Insurance	2,375	2,383
Interest	690	1,124
	<u>340,526</u>	<u>207,129</u>
EXCESS OF REVENUES OVER EXPENSES	157	5,669
NET ASSETS - BEGINNING OF YEAR	<u>46,416</u>	<u>40,747</u>
NET ASSETS - END OF YEAR	<u>\$ 46,573</u>	<u>\$ 46,416</u>

See the accompanying notes to these financial statements

ACCESS COMMUNITY CAPITAL FUND

Statement of Cash Flows
Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 157	\$ 5,669
Changes in non-cash working capital:		
Accounts receivable	(700)	-
Loans receivable	3,380	6,883
Harmonized Sales Tax recoverable	(2,944)	(956)
Prepaid expenses	(509)	(1,415)
Accounts payable and accrued liabilities	5,029	8,510
Deferred grants	(18,086)	50,233
	(13,830)	63,255
Cash flows from (used by) operating activities	(13,673)	68,924
INVESTING ACTIVITY		
Redemption (purchase) of investments	39,877	(69,497)
FINANCING ACTIVITIES		
Investor loans advanced (repaid), net	(1,937)	27,500
Proceeds from loan payable	145,000	-
Cash flow from financing activities	143,063	27,500
INCREASE IN CASH	169,267	26,927
CASH - BEGINNING OF YEAR	128,421	101,494
CASH - END OF YEAR	\$ 297,688	\$ 128,421

See the accompanying notes to these financial statements

ACCESS COMMUNITY CAPITAL FUND

Notes to Financial Statements

Year Ended March 31, 2019

1. NATURE AND PURPOSE OF THE ORGANIZATION

ACCESS Community Capital Fund (“ACCESS”) was incorporated without share capital under the laws of Canada on September 28, 2001, and was continued under the Canada Not-for-Profit Corporations Act on October 16, 2014. The aim of the organization is to improve access to small business loans for viable emerging small enterprises in Toronto by guaranteeing loans.

ACCESS is a registered charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies.

Revenue recognition

ACCESS follows the deferral method of accounting for contributions, which include grants and donations. Unless specifically restricted by the donor, all contributions are considered to be available for unrestricted use and are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenues in the year in which the related activity takes place and expenses are incurred.

Interest is recognized as revenues when it is earned.

Financial instruments

ACCESS initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, investments and loans receivable. The financial liabilities measured at amortized cost include accounts payable and investors’ loans payable.

Donated services

Much of the work of the organization is dependent on the voluntary services of members. Since these services are not normally purchased by ACCESS, such donated services are not recognized in the accounts.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the period they become known.

ACCESS COMMUNITY CAPITAL FUND

Notes to Financial Statements

Year Ended March 31, 2019

3. FINANCIAL INSTRUMENTS

Cash consists of cash on hand and bank deposits residing in accounts at major Canadian financial institutions. Cash balances are sufficient to cover accounts payable as they come due.

Short term investments consist of highly liquid guaranteed investment certificates issued by Canadian financial institutions. Investments classified as current at March 31, 2019 bear annual interest at rates ranging from 0.85% to 1.25% (2018 - 0.85% to 1.95%) and mature between January 23, 2020 and March 10, 2020.

Long term investments consist of guaranteed investment certificates issued by Canadian financial institutions. Investments classified as long term at March 31, 2019 bear annual interest at 2.00% and mature between July 26, 2020 and August 9, 2020.

Cash and investments include amounts that support estimated accruals for guaranteed loans (*Note 5*).

The fair value of ACCESS's cash, investments accounts receivable and accounts payable approximates their carrying value due to the relatively short term to maturity of those instruments.

The investors' loans payable bear interest at rates between 0% and 2%.

Credit risk:

ACCESS's cash and investments are held with major financial institutions and, thus, the exposure to credit risk from the failure of the counterparties is considered insignificant.

ACCESS also has credit risk in respect to guaranteed business loans (*Note 5*) and loans receivable (*Note 4*) if the counterparties fail to meet their obligations under the loans. ACCESS's estimated maximum exposure to credit risk under its financial instruments at March 31, 2019 is \$134,849 (2018 - \$147,967).

ACCESS mitigates its exposure to credit risk from guaranteed loans and loans receivable by actively monitoring performance under these loans and providing an accrual for estimated losses. ACCESS considers the risk of loss in excess of estimated amounts provided for to be minimal.

4. LOANS RECEIVABLE

ACCESS has entered into loan agreements directly with businesses and individuals. Amounts outstanding as at March 31, 2019 of \$4,333 (2018 - \$7,713) are non-interest bearing and are due on demand.

5. ALLOWANCE FOR NON-COLLECTIBLE GUARANTEED BUSINESS LOANS

The total business loans guaranteed by ACCESS and outstanding as at March 31, 2019 was \$130,516 (2018 - \$140,254).

As at March 31, accounts payable and accrued liabilities include an allowance for estimated non-collectible guaranteed business loans as follows:

	2019	2018
Balance - beginning of year	\$ 22,389	\$ 15,832
Increase (decrease) in reserve	-	6,557
Balance - end of year	<u>\$ 22,389</u>	<u>\$ 22,389</u>

ACCESS COMMUNITY CAPITAL FUND

Notes to Financial Statements

Year Ended March 31, 2019

6. LOAN PAYABLE

During the year, ACCESS entered into an eight-year agreement with the Ministry of Employment and Social Development Canada ("ESDC") to fund a Foreign Credential Recognition program. In addition to project grants, ESDC will provide a loan to establish a loan guarantee fund. The loan is non-interest bearing and will be advanced over the first four years of the agreement. In accordance with the agreement, any unused portion of the loan guarantee fund will be repayable to ESDC, commencing in the fifth year of the agreement.

7. GRANTS REVENUES

Grants revenues recognized in the year are as follows:

	2019	2018
Ministry of Employment and Social Development Canada	\$ 151,182	\$ -
Ontario Trillium Foundation	106,023	88,224
The George Cedric Metcalf Charitable Foundation	19,959	22,041
Alterna Bank	4,660	15,340
Other	700	5,660
	<u>\$ 282,524</u>	<u>\$ 131,265</u>

8. CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCE

In managing capital, ACCESS focuses on liquid resources available for operations. ACCESS's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its mission.

ACCESS relies primarily on grants and donations, as well as investors' loans payable to fund its operations. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget.

ACCESS's capital at March 31, 2019 consists of its net assets of \$43,799. ACCESS is not subject to externally imposed capital requirements.

As at March 31 2019, ACCESS has met its objective of having sufficient liquid resources to meet its current obligations.

9. LEASE COMMITMENT

ACCESS has a long term lease with respect to its premises that expires on October 31, 2021. The lease provides for payment of utilities. Future minimum lease payments as at March 31, 2019 are as follows:

2020	\$ 15,893
2021	16,688
2022	<u>10,013</u>
	<u>\$ 42,594</u>