

CONSOLIDATED FINANCIAL STATEMENTS

**HARMONY MOVEMENT**

JUNE 30, 2016

# HARMONY MOVEMENT

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To the Members of  
Harmony Movement

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Harmony Movement which comprises the consolidated statement of financial position as at June 30, 2016 and the consolidated 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.

### *Auditors' 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 an audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment including the assessment of 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 that we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis For Qualification*

In common with many charitable organizations, the Organization derives revenue from donations and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenditures, deferred contributions, current assets and net assets.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualification, these consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2016 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.

*G&G Partnership, LLP*

TORONTO, December 20, 2016

G & G PARTNERSHIP, LP  
LICENSED PUBLIC ACCOUNTANTS

# HARMONY MOVEMENT

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 6,119	\$ -
Accounts receivable (Note 5)	97,762	91,264
HST and government rebates recoverable	17,133	5,225
Inventory	31,117	36,370
Prepaid and sundry assets	<u>11,508</u>	<u>5,881</u>
	163,639	138,740
<b>Capital (Note 3)</b>	<u>15,721</u>	<u>17,949</u>
	<u>\$ 179,360</u>	<u>\$ 156,689</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank overdraft	\$ -	\$ 4,217
Accounts payable and accrued liabilities	48,379	45,070
Government remittances payable	6,102	13,243
Unearned revenue and deferred contributions (Note 4)	10,642	8,810
Loan payable (Note 6)	<u>53,000</u>	<u>128,000</u>
	118,123	199,340
<b>NET ASSETS</b>		
<b>Unrestricted Net Assets</b>	<u>61,237</u>	<u>(42,651)</u>
	<u>\$ 179,360</u>	<u>\$ 156,689</u>

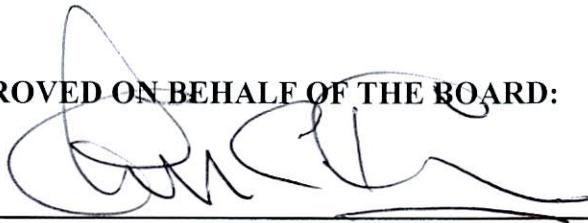
**HARMONY MOVEMENT**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
<b>Unrestricted Net Assets</b> , beginning of year	\$ (42,651)	\$ (139,049)
Excess of revenue over expenditures	<u>103,888</u>	<u>96,398</u>
<b>Unrestricted Net Assets</b> , end of year	\$ <u>61,237</u>	\$ <u>(42,651)</u>

**APPROVED ON BEHALF OF THE BOARD:**



Director



Director

# HARMONY MOVEMENT

## CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
Diversity education programs	\$ 142,364	\$ 231,152
Donations and contributions	21,732	122,530
External fundraising programs	1,500	51,901
Fundraising	38,188	38,530
Grants and program funding from government agencies and foundations (Note 5)	554,900	392,500
Product sales	17,428	30,640
Other	<u>1,087</u>	<u>500</u>
<b>TOTAL REVENUE</b>	<u>777,199</u>	<u>867,753</u>
<b>EXPENDITURES</b>		
<b>Program Expenditures</b>		
Diversity education marketing and promotion	24,682	41,202
Diversity education program costs	107,597	95,438
Fundraising	22,944	61,112
Grants and awards	15,795	16,100
Product costs	7,407	7,546
Salaries, benefits and consulting fees	<u>411,043</u>	<u>457,083</u>
	<u>589,468</u>	<u>678,481</u>
<b>Administration</b>		
Amortization	5,024	4,750
Office and general	33,663	44,640
Occupancy costs (Note 8)	<u>46,208</u>	<u>44,940</u>
	84,895	94,330
Less: recovery of expenses	<u>(1,052)</u>	<u>(1,456)</u>
	<u>83,843</u>	<u>92,874</u>
<b>TOTAL EXPENDITURES</b>	<u>673,311</u>	<u>771,355</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>\$ 103,888</u>	<u>\$ 96,398</u>

## HARMONY MOVEMENT

### CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Cash from operations		
Excess of revenue over expenditures	\$ 103,888	\$ 96,398
Charges to earnings not involving cash:		
Amortization	<u>5,024</u>	<u>4,750</u>
	108,912	101,148
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(6,498)	13,737
ST and government rebates recoverable	(11,908)	132
Inventory	5,252	(688)
Prepaid and sundry assets	(5,627)	682
Accounts payable and accrued liabilities	3,309	14,801
Government remittances payable	(7,141)	13,243
Unearned revenue and deferred contributions	<u>1,832</u>	<u>5,023</u>
	<u>88,131</u>	<u>148,078</u>
<b>FINANCING</b>		
Decrease in loan payable	<u>(75,000)</u>	<u>(137,000)</u>
<b>INVESTING</b>		
Acquisition of capital assets	<u>(2,795)</u>	<u>(7,547)</u>
<b>CHANGE IN CASH DURING THE YEAR</b>	10,336	3,531
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>(4,217)</u>	<u>(7,748)</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 6,119</u>	<u>\$ (4,217)</u>

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

### 1. STATUS AND PURPOSE OF THE ORGANIZATION

Harmony Movement (the Organization) is dedicated to establishing, maintaining and operating programs for the encouragement of harmony in Canada.

Harmony Movement (“HM”) was continued under the Canada Not-For-Profit Corporations Act on August 11, 2014 as a non-profit corporation without share capital. HM commenced operations on July 4, 1994 under the name National Movement for Harmony in Canada and obtained approval to change its name to Harmony Movement on August 11, 2014. HM is exempt from income taxes as a not-for-profit organization under the Income Tax Act (Canada) (“ITA”).

Harmony Education Foundation (“HEF”) was continued under the Canada Not-For-Profit Corporations Act on August 11, 2014 as a non-profit corporation without share capital. HEF commenced operations on February 17, 1998 as a registered charity and, accordingly, is exempt from income taxes under the ITA.

HM and HEF are controlled by the same board of directors and, consequently, consolidated financial statements are presented.

These consolidated financial statements represent the financial position and results from operations of HM and HEF. All transactions and balances between the consolidated entities have been eliminated. Non-consolidated financial statements have been prepared to facilitate filing of the registered charity and non-profit tax returns.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) in Part III of the *CPA Canada Handbook* and include the following significant accounting policies:

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The Organization uses estimates with respect to their net realizable value of accounts receivable, accounts payable and accrued liabilities, unearned revenue and deferred contributions, and estimated useful lives of capital assets. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results may differ from such estimates.

#### **Revenue Recognition**

Diversity education program revenue is recognized when services are rendered and the Organization has no significant remaining obligations, persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable, and collectible is reasonably assured.

The Organization follows the deferral method of accounting for donations and contributions. Donations and contributions with donor restrictions, including the annual banquet, are deferred and recognized as revenue in the period in which the related expenditures are incurred. Unrestricted donations and contributions are recognized as revenue when they are received.

Grants for program funding are recognized as revenue over the term of the program (defined as the expected period of application) and any amounts not recognized at the year end are classified as unearned revenue.

Revenue relating to significant fundraising events are recognized in the year of the event.

Revenue relating to product sales is recognized when the goods are shipped and legal title to the goods passes to the customer.

Other revenue is recognized when earned and collectible is reasonably assured.

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash and Cash Equivalents

The Organization's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn.

#### Inventory

Inventory consists of equity education books held for resale or for distribution with the Organization's Diversity Education programs. Inventory is valued at lower of cost and replacement cost. Cost has been determined principally on the weighted average basis.

#### Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all 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 bank and accounts receivable.

Financial liabilities measured at amortized cost included accounts payable and accrued liabilities and loan payable.

The Organization has not designated any financial instruments to be measured at fair value.

#### Capital Assets

Capital assets are stated at cost. Amortization is provided annually over the estimated useful lives of the assets as follows:

Office equipment	-	20% declining balance
Computers	-	30% declining balance

#### Contributed Services

Volunteers contribute many hours to assist the Organization in carrying out its mission. Contributed services are not recognized in these financial statements due to the difficulty in determining their fair value.

## HARMONY MOVEMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

#### 3. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net</u>
Office equipment	\$ 21,754	\$ 15,517	\$ 6,237
Computers	<u>33,483</u>	<u>23,999</u>	<u>9,484</u>
	<u>\$ 55,237</u>	<u>\$ 39,516</u>	<u>\$ 15,721</u>

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net</u>
Office equipment	\$ 21,754	\$ 13,958	\$ 7,796
Computers	<u>30,687</u>	<u>20,534</u>	<u>10,153</u>
	<u>\$ 52,441</u>	<u>\$ 34,492</u>	<u>\$ 17,949</u>

#### 4. UNEARNED REVENUE AND DEFERRED CONTRIBUTIONS

Unearned revenue and deferred contributions represent advances received from various education programs and the annual banquet where events have not taken place during the year.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 8,810	\$ 3,787
Amounts received in the year	10,642	9,614
Amounts recognized as revenue in the year	<u>(8,810)</u>	<u>(4,591)</u>
Balance, end of year	<u>\$ 10,642</u>	<u>\$ 8,810</u>

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

### 5. GRANTS AND PROGRAM FUNDING FROM GOVERNMENT AGENCIES AND FOUNDATIONS

Grants and Program funding from government agencies and foundations are comprised as follows:

	<u>2016</u>	<u>2015</u>
Ontario Ministry of Education	\$ 480,400	\$ 318,000
Ontario Trillium Foundation	74,500	74,500

On August 21, 2015, the Organization entered into an agreement with the Ontario Ministry of Education to develop and deliver equity-based leadership workshops and resource guides in the form of a toolkit, as well as the framework for school specific action planning that will assist educators in targeting the needs of their specific school communities. The Organization is entitled to a funding up to a maximum amount of \$ 465,400. This project has been completed as at June 30, 2016.

On September 30, 2015, the Organization entered into an agreement with the Ontario Ministry of Education to develop and to deliver workshops in order to provide information to help parents enhance their understanding and leadership skills to promote and support the well beings of students in their own community. The Organization is entitled to a funding up to a maximum amount of \$ 15,000. This project has been completed as at June 30, 2016.

In a prior year, the Organization entered into an agreement with the Ontario Trillium Foundation that entitles the Organization to receive a grant up to a maximum grant of \$ 296,500. The grant is to be used to assist in implementation of cultural diversity programs in local communities with the term ending in October 2016.

As at June 30, 2016 the Organization is in compliance with the terms and conditions of the agreements with these agencies.

Amounts included in accounts receivable from the above government agencies is as follows:

	<u>2016</u>	<u>2015</u>
Ontario Ministry of Education	\$ 91,040	\$ 31,800

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

### 6. LOAN PAYABLE TO EXECUTIVE DIRECTOR

The loan payable, due to a director of the Organization, is non-interest bearing with no specific terms of repayment and is unsecured.

### 7. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at the balance sheet date.

#### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. Financial instruments which potentially subject the Organization to credit risk relates to its accounts receivable. The Organization is not exposed to any significant credit risk with respect to its trade receivables as receivable balances are monitored on an ongoing basis with the result that the Organization's exposure to bad debts is not significant.

#### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk mainly in respect to its bank overdraft, accounts payable and accrued liabilities and loan payable. The Organization manages its liquidity risk by constantly monitoring its operating requirements to ensure financial resources are available for maturing financial liabilities.

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

### 8. COMMITMENTS

HM is committed to an operating lease for its premises that is due to expire October 31, 2019. The minimum lease obligation (exclusive of occupancy charges and applicable taxes) over the remaining lease term is as follows:

Year ended June 30, 2017	\$	35,522
2018		36,396
2019		37,269
2020		12,520

### 9. SUBSEQUENT EVENTS

On October 19, 2016, the Organization entered into an agreement with the Ontario Ministry of Education to deliver various diversity education programs to the schools in Ontario. The total amount of funding for this project is up to a maximum amount of \$ 230,000. The project is expected to be completed August 31, 2017.

### 10. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the presentation adopted in the current year.