

CONSOLIDATED FINANCIAL STATEMENTS

**HARMONY MOVEMENT**

JUNE 30, 2017

# HARMONY MOVEMENT

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Harmony Movement

We have audited the accompanying consolidated financial statements of Harmony Movement which comprises the consolidated statement of financial position as at June 30, 2017 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.

### *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 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, 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 and cash flow from operations for the years ended June 30, 2017 and 2016, current assets as at June 30, 2017 and 2016, and net assets as at July 1, for both 2017 and 2016 years. Our audit opinion on the financial statements for the year ended June 30, 2016 was modified accordingly because of the possible effects of this limitation in scope.

*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, 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.

*G&G Partnership, LLP*

TORONTO, December 22, 2017

G & G PARTNERSHIP, LP  
LICENSED PUBLIC ACCOUNTANTS

# HARMONY MOVEMENT

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 31,895	\$ 6,119
Accounts receivable (Note 5)	51,247	97,762
HST and government rebates recoverable	394	17,133
Inventory	21,786	31,117
Prepaid and sundry assets	<u>3,294</u>	<u>11,508</u>
	108,616	163,639
<b>Capital (Note 3)</b>	<u>17,120</u>	<u>15,721</u>
	<u>\$ 125,736</u>	<u>\$ 179,360</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 37,855	\$ 48,379
Government remittances payable	13,040	6,102
Unearned revenue and deferred contributions (Note 4)	4,500	10,642
Loan payable (Note 6)	<u>100,000</u>	<u>53,000</u>
	155,395	118,123
<b>NET ASSETS</b>		
<b>Unrestricted Net Assets</b>	<u>(29,659)</u>	<u>61,237</u>
	<u>\$ 125,736</u>	<u>\$ 179,360</u>

# HARMONY MOVEMENT

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
<b>Unrestricted Net Assets</b> , beginning of year	\$ 61,237	\$ (42,651)
Excess of (expenditures over revenue) revenue over expenditures	<u>(90,896)</u>	<u>103,888</u>
<b>Unrestricted Net Assets</b> , end of year	<u>\$ (29,659)</u>	<u>\$ 61,237</u>

### APPROVED ON BEHALF OF THE BOARD:



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Director



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Director

# HARMONY MOVEMENT

## CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
<b>REVENUE</b>		
Diversity education programs	\$ 199,072	\$ 142,364
Donations and contributions (Note 6)	115,400	21,732
External fundraising programs	5,458	1,500
Fundraising	34,369	38,188
Grants and program funding from government agencies and foundations (Note 5)	230,000	554,900
Product sales	16,130	17,428
Other	<u>1,205</u>	<u>1,087</u>
<b>TOTAL REVENUE</b>	<u>601,634</u>	<u>777,199</u>
<b>EXPENDITURES</b>		
<b>Program Expenditures</b>		
Diversity education marketing and promotion	11,725	24,682
Diversity education program costs	99,891	107,597
Fundraising	25,537	22,944
Grants and awards	16,005	15,795
Product costs	11,312	7,407
Salaries, benefits and consulting fees	<u>428,192</u>	<u>411,043</u>
	<u>592,662</u>	<u>589,468</u>
<b>Administration</b>		
Amortization	5,061	5,024
Office and general	47,961	33,663
Occupancy costs (Note 8)	<u>48,008</u>	<u>46,208</u>
	101,030	84,895
Less: recovery of expenses	<u>(1,162)</u>	<u>(1,052)</u>
	<u>99,868</u>	<u>83,843</u>
<b>TOTAL EXPENDITURES</b>	<u>692,530</u>	<u>673,311</u>
<b>EXCESS OF (EXPENDITURES OVER REVENUE) REVENUE OVER EXPENDITURES</b>	<u>\$ (90,896)</u>	<u>\$ 103,888</u>

## HARMONY MOVEMENT

### CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Cash from operations		
Excess of (expenditures over revenue) revenue over expenditures	\$ (90,896)	\$ 103,888
Charges to earnings not involving cash:		
Amortization	<u>5,061</u>	<u>5,024</u>
	(85,835)	108,912
Net change in non-cash working capital balances related to operations:		
Accounts receivable	46,515	(6,498)
HST and government rebates recoverable	16,739	(11,908)
Inventory	9,331	5,252
Prepaid and sundry assets	8,214	(5,627)
Accounts payable and accrued liabilities	(10,524)	3,309
Government remittances payable	6,938	(7,141)
Unearned revenue and deferred contributions	<u>(6,142)</u>	<u>1,832</u>
	<u>(14,764)</u>	<u>88,131</u>
<b>FINANCING</b>		
Increase (decrease) in loan payable	<u>47,000</u>	<u>(75,000)</u>
<b>INVESTING</b>		
Acquisition of capital assets	<u>(6,460)</u>	<u>(2,795)</u>
<b>CHANGE IN CASH DURING THE YEAR</b>	25,776	10,336
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>6,119</u>	<u>(4,217)</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 31,895</u>	<u>\$ 6,119</u>

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

### 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 (ASNFPPO) in Part III of the *CPA Canada Handbook* and include the following significant accounting policies:

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

### 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.

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

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 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, 2017

### 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 cash and cash equivalents 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

## HARMONY MOVEMENT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

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

##### 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.

#### 3. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net</u>
Office equipment	\$ 21,754	\$ 16,764	\$ 4,990
Computers	<u>39,943</u>	<u>27,813</u>	<u>12,130</u>
	<u>\$ 61,697</u>	<u>\$ 44,577</u>	<u>\$ 17,120</u>

	<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>

#### 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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 10,642	\$ 8,810
Amounts received in the year	4,500	10,642
Amounts recognized as revenue in the year	<u>(10,642)</u>	<u>(8,810)</u>
Balance, end of year	<u>\$ 4,500</u>	<u>\$ 10,642</u>

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

	<u>2017</u>	<u>2016</u>
Ontario Ministry of Education	\$ 230,000	\$ 480,400
Ontario Trillium Foundation	-	74,500

On October 19, 2016, the Organization entered into an agreement with the Ontario Ministry of Education to deliver various diversity education programs to schools in Ontario. The Organization is entitled to a funding up to a maximum amount of \$ 230,000. This project has been completed as at June 30, 2017.

As at June 30, 2017 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>2017</u>	<u>2016</u>
Ontario Ministry of Education	\$ 40,000	\$ 91,040

# HARMONY MOVEMENT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

### 6. RELATED PARTY TRANSACTIONS

The following summarizes the Organization's related party transactions for the year. They are considered to be related party transactions through membership on the board of directors or through immediate family members of the board.

	<u>2017</u>	<u>2016</u>
Donations and contributions	\$ 98,000	\$ -

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

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 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, 2017

### 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, 2018	\$ 36,396
2019	37,269
2020	<u>12,520</u>
	<u>\$ 86,185</u>

### 9. SUBSEQUENT EVENTS

On October 27, 2017, the Organization was approved by The Minister of Canadian Heritage for funding to carry out activities under the Multiculturalism Program. The total amount of the funding for this program is up to a maximum of \$ 280,000. The program is expected to be completed by March 31, 2019.

On November 1, 2017, the Organization entered into an agreement with the Ontario Ministry of Education to deliver various diversity education programs to schools in Ontario. The total amount of funding for this project is up to a maximum of \$ 350,000. The project is expected to be completed August 15, 2018.

On November 21, 2017, the Organization was approved by Ontario Trillium Foundation for their application to deliver a three-year project which will create a sustainable development strategy to advance equity, inclusion and social cohesion in Durham Region. The total amount of funding for this project is up to a maximum of \$ 245,000. The project is expected to be completed October 2020.