

GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.

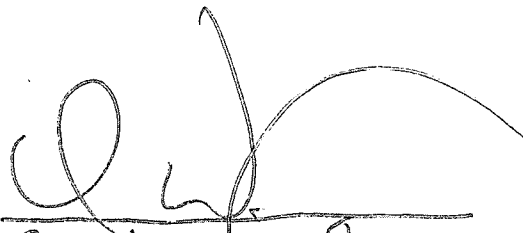
INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

DECEMBER 31, 2019

Draft approved
June 28/20

Marlene Amell
Executive Director
GCWC


Clive Wignall
Finance Officer
GCWC

GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of General Council of Winnipeg Community Centres Inc.:

Opinion

We have audited the accompanying financial statements of General Council of Winnipeg Community Centres Inc., which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets, and cash flow for the year then ended, and the notes to 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 General Council of Winnipeg Community Centres Inc. as at December 31, 2019, and the results of its operations and its cash flow 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 the organization 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 these 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 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 the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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. 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 the organization'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 the organization'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 the organization 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 representing the underlying transactions and events in a manner that achieved 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.

Winnipeg, Manitoba
DATE OF APPROVAL

CHARTERED PROFESSIONAL
ACCOUNTANTS INC.

GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	OPERATING FUND	PROGRAM REGISTRATION FEE SUBSIDY FUND	CITY OF WINNIPEG PROGRAMMING FUND	PROVINCE OF MANITOBA CAPITAL FUND	CITY OF WINNIPEG JANITORIAL FUND	TOTAL 2019	TOTAL 2018
ASSETS							
CURRENT ASSETS							
Cash	\$ 195,003	71,700	192,643	320,612	130,033	909,991	511,240
Temporary investments (Note 3)	6,048	-	-	-	-	6,048	236,048
Grants receivable	-	-	-	-	-	-	200,000
Accounts receivable	60,582	-	-	-	-	60,582	20,699
Interfund accounts	118,943	9,495	104,070	-	-	-	-
GST Receivable	1,939	-	-	-	-	1,939	7,194
Prepaid expenses	168	-	-	-	-	168	-
	382,683	81,195	296,713	320,612	130,033	978,728	975,181
	730	-	-	-	-	730	1,109
TANGIBLE CAPITAL ASSETS (Notes 2(b) and 4)	<u>\$ 383,413</u>	<u>81,195</u>	<u>296,713</u>	<u>320,612</u>	<u>130,033</u>	<u>979,458</u>	<u>976,290</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable and accrued liabilities (Note 5)	\$ 116,090	-	-	-	3,051	119,141	46,373
Interfund accounts	-	-	-	146,790	85,718	-	-
Deferred revenue	-	-	-	-	-	-	3,532
Due to Weston Community Centre	3,406	-	-	-	-	3,406	3,882
Deferred contributions (Note 6)	-	81,195	296,713	173,822	41,264	592,994	661,720
	119,496	81,195	296,713	320,612	130,033	715,541	715,507
NET ASSETS							
Unrestricted - Operating Fund	263,917	-	-	-	-	263,917	260,783
	<u>\$ 383,413</u>	<u>81,195</u>	<u>296,713</u>	<u>320,612</u>	<u>130,033</u>	<u>979,458</u>	<u>976,290</u>

APPROVED BY THE BOARD:

Director

Director

GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2019

REVENUE	OPERATING FUND	PROGRAM REGISTRATION FEE SUBSIDY FUND	CITY OF WINNIPEG PROGRAMMING FUND	PROVINCE OF MANITOBA CAPITAL FUND	CITY OF WINNIPEG JANITORIAL FUND	TOTAL 2019	TOTAL 2018
Grants							
City of Winnipeg							
Operating	\$ 252,647	-	-	-	-	252,647	216,491
Program registration fee subsidy	-	133,805	-	-	-	133,805	80,782
Athletic field maintenance	358,016	-	-	-	-	358,016	354,484
Programming	-	-	499,711	-	-	499,711	442,331
Administration	16,942	-	-	-	-	16,942	15,000
Janitorial	-	-	-	-	295,770	295,770	299,411
Transportation	22,844	-	-	-	-	22,844	38,006
Province of Manitoba							
Administration	10,000	-	-	-	-	10,000	10,000
Capital grant	-	-	-	132,092	-	132,092	161,387
Green Team Project	28,141	-	-	-	-	28,141	31,850
Corporate funding and community contributions	-	51,373	-	-	-	51,373	73,580
Memberships	24,880	-	-	-	-	24,880	25,200
Past President awards	8,452	-	-	-	-	8,452	6,150
Interest	-	-	2,647	-	252	2,899	3,996
Other income	315	-	-	-	-	315	23,406
EXPENSES (Schedule)	722,237	185,178	502,358	132,092	296,022	1,837,887	1,782,074
EXPCESS (DEFICIENCY) OF REVENUE	721,548	185,178	499,996	132,092	295,939	1,834,753	1,784,918
OVER EXPENSES	\$ 689	-	2,362	-	83	3,134	(2,844)

GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	OPERATING FUND	PROGRAM REGISTRATION FEE SUBSIDY FUND	CITY OF WINNIPEG PROGRAMMING FUND	PROVINCE OF MANITOBA CAPITAL FUND	CITY OF WINNIPEG JANITORIAL FUND	TOTAL 2019	TOTAL 2018
NET ASSETS, BEGINNING OF YEAR	\$ 260,783	-	-	-	-	260,783	263,627
Excess (deficiency) of revenue over expenses	689	-	2,362	-	83	3,134	(2,844)
Investment income transfer (net of bank charges)	2,445	-	(2,362)	-	(83)	-	-
NET ASSETS, END OF YEAR	<u>\$ 263,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,917</u>	<u>260,783</u>

**GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 3,134	(2,844)
Add back non-cash item(s):		
Amortization of tangible capital assets	<u>380</u>	<u>708</u>
	3,514	(2,136)
Change in non-cash working capital items:		
Grants receivable	200,000	(100,000)
Accounts receivable	(39,883)	(16,757)
GST receivable	5,255	(3,789)
Prepaid expenses	(168)	-
Accounts payable and accrued liabilities	72,767	(136,955)
Recognition of deferred revenue	(3,532)	(442)
Deferred contributions	<u>(68,726)</u>	<u>46,838</u>
	169,227	(213,241)
FINANCING ACTIVITIES		
Due to Community Centres	<u>(476)</u>	<u>(18,224)</u>
INCREASE (DECREASE) IN CASH	168,751	(231,465)
CASH, BEGINNING OF YEAR	<u>747,288</u>	<u>978,753</u>
CASH, END OF YEAR	<u><u>\$ 916,039</u></u>	<u><u>747,288</u></u>
CASH IS REPRESENTED BY:		
Cash	\$ 909,991	511,240
Temporary investments	<u>6,048</u>	<u>236,048</u>
	<u><u>\$ 916,039</u></u>	<u><u>747,288</u></u>

**GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

1. ACCOUNTING ENTITY

General Council of Winnipeg Community Centres Inc. (The "Centre") is a not-for-profit organization and is exempt from income taxes under the Income Tax Act of Canada. The Centre receives funding from the City of Winnipeg and its purpose is to provide support services for Winnipeg Community Centre executive and volunteer boards and to administer grants received from the City of Winnipeg (The "City") and the Province of Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

(a) Fund Accounting

The **Operating Fund** accounts for the day-to-day operations of the Centre.

The **Program Registration Fee Subsidy Fund** accounts for the administration of funds received from the City to be paid to Winnipeg Community Centres as program registration fee subsidy grants.

The **City of Winnipeg Programming Fund** accounts for the administration of funds received from the City to be paid to Winnipeg Community Centres as programming grants.

The **Province of Manitoba Capital Fund** accounts for the administration of funds received from the Province of Manitoba to be paid to Winnipeg Community Centres as capital grants.

The **City of Winnipeg Janitorial Fund** accounts for the administration of funds received from the City for the payment of wages to janitorial staff.

(b) Tangible Capital Assets

Tangible capital assets are recorded at cost, net of specific government grants. Amortization is provided on the declining balance basis at the following rates:

Computer software	100%
Computer hardware	55%
Office equipment	20%

Additions are amortized at one-half of the above rates in the year of purchase.

(c) Revenue Recognition

The Centre follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured.

Membership revenue is recognized as revenue in the membership period when received or receivable.

(d) Contributed Services and Donated Materials

Contributed services and donated materials are not recorded in the financial statements due to the difficulty in determining their fair value.

GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Use of Estimates

The preparation of the 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 revenue and expenses during the year. Estimates include amounts payable for services not billed yet at the time these financial statements were approved. Actual results may differ from estimates.

(f) Financial Instruments

Financial instruments held by the Centre include cash, temporary investments, grants receivable, accounts receivable, and accounts payable and accrued liabilities. The Centre initially measures its financial instruments at fair value when the asset or liability is first recognized. The Centre subsequently measures its financial instruments at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative amount of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

3. TEMPORARY INVESTMENTS

	<u>2019</u>	<u>2018</u>
Operating Fund		
BMO non-cashable GIC (2.25%), due August 4, 2020	\$ 6,048	6,048
City of Winnipeg Programming Fund		
BMO cashable GIC (1.75%), due July 25, 2019	-	200,000
City of Winnipeg Janitorial		
BMO cashable GIC (1.75%), due January 17, 2019	-	30,000
	<u>\$ 6,048</u>	<u>236,048</u>

4. TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Computer software	\$ 1,808	1,808	1,808	1,808
Computer hardware	18,066	17,863	18,066	17,615
Office equipment	28,265	27,738	28,265	27,607
	<u>48,139</u>	<u>47,409</u>	<u>48,139</u>	<u>47,030</u>
Net book value	<u>\$ 730</u>		<u>1,109</u>	

GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Accounts payable and accrued liabilities	\$ 24,752	17,099
City of Winnipeg - unspent portion of trawling grant	71,656	-
Rent payable (Note 8)	21,156	-
Government remittances payable	1,577	14,492
Grants payable	<u>-</u>	<u>14,782</u>
	<u>\$ 119,141</u>	<u>46,373</u>

6. DEFERRED CONTRIBUTIONS

	<u>2019</u>	<u>2018</u>
Program Registration Fee Subsidy Fund		
Balance, beginning of year	\$ 104,250	49,282
Receipts		
Program registration fee subsidy grant	110,750	85,750
Corporate funding and community contributions	51,373	73,580
Transfer from YAR	<u>-</u>	<u>50,000</u>
	<u>162,123</u>	<u>209,330</u>
Disbursements		
Program registration fee subsidy grants	<u>185,178</u>	<u>154,362</u>
Net change	<u>(23,055)</u>	<u>54,968</u>
Balance, end of year	<u>81,195</u>	<u>104,250</u>
City of Winnipeg Programming Fund		
Balance, beginning of year	<u>326,424</u>	<u>298,755</u>
Receipts		
Programming grant	<u>470,000</u>	<u>470,000</u>
Disbursements		
Programming grants	480,456	423,368
Licensing fees	<u>19,255</u>	<u>18,963</u>
	<u>499,711</u>	<u>442,331</u>
Net change	<u>(29,711)</u>	<u>27,669</u>
Balance, end of year	<u>296,713</u>	<u>326,424</u>
Balance carried forward to the next page	<u>\$ 377,908</u>	<u>430,674</u>

**GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

6. DEFERRED CONTRIBUTIONS (Continued)

	<u>2019</u>	<u>2018</u>
Balance carried forward from previous page	\$ <u>377,908</u>	<u>430,674</u>
Province of Manitoba Capital Fund		
Balance, beginning of year	<u>215,914</u>	<u>237,301</u>
Receipts		
Capital grant	<u>90,000</u>	<u>140,000</u>
Disbursements		
Capital grants	<u>132,092</u>	<u>161,387</u>
Net change	<u>(42,092)</u>	<u>(21,387)</u>
Balance, end of year	<u>173,822</u>	<u>215,914</u>
City of Winnipeg Janitorial Fund		
Balance, beginning of year	<u>15,132</u>	<u>29,543</u>
Receipts		
Janitorial grant	<u>321,902</u>	<u>285,000</u>
Disbursements		
Wages	<u>295,770</u>	<u>299,411</u>
Net change	<u>26,132</u>	<u>(14,411)</u>
Balance, end of year	<u>41,264</u>	<u>15,132</u>
	<u>\$ 592,994</u>	<u>661,720</u>

**GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

7. COMMITMENTS

The Centre leases office equipment under operating leases. In addition, the Centre has committed funds to various future capital projects of individual community centres. The total of all future annual commitments are as follows:

	<u>Equipment</u>	<u>Capital Projects</u>
December 31, 2020	\$ 2,732	80,117
2021	<u>683</u>	<u>-</u>
Total	<u><u>3,415</u></u>	<u><u>80,117</u></u>

8. OFFICE RENT

In prior years, the City provided the office space that the Centre currently uses on a rent-free basis. The estimated value of this service received from the City was not recorded in the financial statements of the Centre in prior years. During the current year, this arrangement was altered by the City. Under the current arrangement, the Centre pays rent to the City at market-rate, resulting in rent expenses of \$21,156, payable to the City as at December 31, 2019.

9. RISK MANAGEMENT

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It is management's opinion that the Centre is exposed to interest rate risk due to its investment in GICs. GICs total \$6,048 (2018 - \$236,048) of the Centre's investments. Management does not use derivative instruments to mitigate this risk.

(b) Liquidity Risk

Liquidity risk is the risk that the Centre will not be able to meet its financial obligations as they come due. Financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are paid in the normal course of business.

The Centre's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when due.

At December 31, 2019, the organization has a cash and temporary investments of \$916,039 which is sufficient to meet its current liabilities of \$715,541.

(c) Credit Risk

Credit risk is the risk that a counterpart will default on its financial liabilities.

Financial instruments which potentially subject the Centre to credit risk and concentrations of credit risk consist principally of accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due. Management deems this risk to not be significant.

**GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

10. WESTON COMMUNITY CENTRE

In prior years, Weston Community Centre, an organization established to provide programs and activities for the benefits of residents of the Weston community, was previously an entity controlled by the Centre by virtue of sharing the same Board of Directors, and therefore, additional financial information was provided in the financial statements of the Centre. During the current year, Weston Community Centre established its own board of directors, and therefore, is no longer under the control of the Centre. As result, the disclosure provided in prior years is no longer required in the current year's financial statements and onward.

11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

GENERAL COUNCIL OF WINNIPEG COMMUNITY CENTRES INC.
SCHEDULE OF EXPENSES
YEAR ENDED DECEMBER 31, 2019

	OPERATING FUND	PROGRAM REGISTRATION FEE SUBSIDY FUND	CITY OF WINNIPEG PROGRAMMING FUND	PROVINCE OF MANITOBA CAPITAL FUND	CITY OF WINNIPEG JANITORIAL FUND	TOTAL 2019	TOTAL 2018
Grants							
Program registration fee subsidy	\$ -	185,178	-	-	-	185,178	154,362
Athletic field maintenance	347,990	-	-	-	-	347,990	342,579
City of Winnipeg - programming	-	-	480,456	-	-	480,456	423,368
Province of Manitoba - capital	-	-	-	132,092	-	132,092	161,387
Transportation fees	22,844	-	-	-	-	22,844	38,091
Amortization of tangible capital assets	380	-	-	-	-	380	707
Bank charges	2,595	-	285	-	-	3,049	3,365
Consulting	1,338	-	-	-	169	1,338	-
Green team wages	29,095	-	-	-	-	29,095	30,923
Office and miscellaneous	27,767	-	-	-	-	27,767	43,761
Office equipment leases	4,622	-	-	-	-	4,622	5,784
Past President awards	7,830	-	-	-	-	7,830	8,246
Postage	468	-	-	-	-	468	540
Professional fees	12,794	-	-	-	-	12,794	12,797
Rent (Note 8)	21,156	-	-	-	-	21,156	-
Service contract	4,095	-	-	-	-	4,095	3,611
SOCAN and Resound fees	-	-	19,255	-	-	19,255	18,963
Telephone	3,159	-	-	-	-	3,159	2,926
Wages and benefits	230,558	-	-	-	295,770	526,328	527,900
Workers compensation	492	-	-	-	-	492	897
Workplace health and safety	1,238	-	-	-	-	1,238	1,195
Workshops, seminars and meetings	3,127	-	-	-	-	3,127	3,516
	<u>\$ 721,548</u>	<u>185,178</u>	<u>499,996</u>	<u>132,092</u>	<u>295,939</u>	<u>1,834,753</u>	<u>1,784,918</u>

Bank Reconciliations (continued)

Follow up comment:

In conducting our current year audit, we noted significant outstanding items whereby deposits and payments of the same bank account net against each other. Items such as these should be marked off as cleared to ensure the bank reconciliation is an accurate reflection of outstanding transactions affecting cash.

Therefore, we consider this matter ongoing.

GST

Prior year issue:

During our prior year audit, we noted inconsistencies in the way GST recoverable is recorded. We recommended the Centre setup its GST reporting to be consistent with CRA requirements.

Follow up comment:

In conducting our current year audit, we noted the issues surrounding GST have not been addressed. The Centre continues to be eligible for the Public service bodies rebate as a "qualifying non-profit organization" as at least 40% of the Centre's revenue came from government sources. The current process is still to record 100% of GST incurred on expenses as receivable which still added significant work that is outside the scope of our audit.

We recommend the Centre adopt the policy recommended in prior year's audit where 50% of the GST should be recorded as receivable and the remaining 50% portion should be expensed. Therefore consider the matter in progress. If you require assistance please let us know.

CURRENT YEAR MATTERS:

Internal Bank Transfers

Issue:

In conducting our current year audit, we noted significant outstanding payments on the janitorial bank reconciliation netting with amounts in accounts receivable. This method of accounting for transfers does not conform to generally accepted accounting principles. As a result, additional audit work was required to identify the correct receivable balances at year end and move incorrect amounts to the respective bank accounts as outstanding deposits.

Recommendation:

We recommend that when expenses such as janitorial payroll are paid by the main operating account, that a transfer for same amount be recorded between the bank accounts. There should be no effect on accounts receivable as these outstanding amounts do not reflect the true receivables of the Centre. When a transfer occurs, the Centre will debit one bank account and credit another . These will remain outstanding until they clear the bank, at which point the offsetting items can be marks off as cleared when reconciling the banks.

March 25, 2020

Board of Directors
General Council of Winnipeg Community Centres Inc.
Unit 400 - 10 Fort Street
Winnipeg, Manitoba
R3C 1C4

Dear Board of Directors:

We have completed our audit of the financial statements of General Council of Winnipeg Community Centres Inc. for the year ended December 31, 2019. The primary objective of our audit was to obtain reasonable assurance that the financial statements were free of material misstatement. We conducted our audit in accordance with Canadian generally accepted auditing standards and accordingly included such tests and other procedures, as we considered necessary in the circumstances. Our audit was not designed for the purpose of identifying all matters that may be of interest to management and it is inappropriate to conclude that this letter is a comprehensive assessment of such matters.

As part of our audit we performed a walk-through of your systems of internal control in place to determine that they have been properly designed and implemented. Our review of internal controls was limited to those internal controls in place and was not designed to be a comprehensive assessment on the adequacy and effectiveness of internal controls over all transaction streams. It is the responsibility of the Board of Directors and management to maintain effective internal controls that safeguard the assets of the organization and prevent and detect fraud.

We are pleased to present to you some commentary and recommendations for your consideration in the paragraphs that follow:

AUDIT RESULTS

For the year ended December 31, 2019 we have issued an unqualified audit opinion on the financial statements of General Council of Winnipeg Community Centres Inc.

During the course of our audit we did not discover any fraud nor any illegal or possibly illegal acts.

PRIOR YEAR MATTERS:

Bank Reconciliations

Prior year issue:

During our prior year audit, we recommended that when deposits and payments are made after year-end, they be recorded as accounts receivable and payable rather than back dated and netted against bank balances.

Second Review of Bank Reconciliations

Issue:

In conducting our current year audit, we noted the Financial Officer prepares monthly bank reconciliations for all bank accounts. While this practice is a good internal control, a further enhancement in the system of internal control would entail having independent oversight of this function. Having a second person independent of the bank reconciliation function review the monthly bank statements and bank reconciliations is a strong internal control which guards against fraud in the organization (as both a preventative control and a detective control).

Recommendation:

We recommend that the monthly bank statements and monthly bank reconciliations are reviewed by a person independent of the person who prepares the bank reconciliations and the person who opens the mail and does the bank deposits.

Items that one should watch for when reviewing the bank statement and bank reconciliation include:

- a) Evidence of alterations in cheques;
- b) Unauthorized cheques with forged signatures;
- c) Frequency and amount of deposits to determine if they are normal given current operations;
- d) Outstanding cheques that have been outstanding for an extended period of time;
- e) Outstanding deposits that are still outstanding from prior month; and
- f) Agreement of the balance per bank statement to the bank reconciliation and the adjusted bank balance on the bank reconciliation report to a copy of the bank general ledger account.

Should it not be practical to perform these internal control services from within the organization (either by the Board Chair or Consultant/Secretary), an external consultant/accountant could be engaged to perform such internal control monitoring services on behalf of the organization. We estimate that this recommendation would only require less than an hour a month on average to implement.

Auditor Appointment

Issue:

In conducting our current year audit, we completed a review of board minutes. It was noted that Fort Group had not been officially appointed as the Auditor's for the current year (requires official motion in the minutes of the board). This is a risk because, although the auditors work closely with management, they are officially hired by the board to act on behalf of the stakeholders of the Centre. Without the official recognition of the hiring of Fort Group as the independent auditors of the organization this exposes all parties involved to potential risks stemming from the audit. Additionally, the lack of this key approval, and governance component could result in questions regarding the completeness of the board minutes as currently recorded.

Recommendation:

In future years, it should be clearly documented in the minutes that the auditors were officially accepted as the auditors for that year's financial statements.

Board of Directors
General Council of Winnipeg Community Centres Inc.
March 25, 2020
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This communication is prepared solely for your information and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

We would like to take this opportunity to thank the personnel of the organization for their assistance and cooperation during our audit.

Yours very truly,

Fort Group Chartered Professional Accountants Inc.

PER: Alex Yaworski, CPA, CMA, CMC, Partner