
Independent Auditor's Report

To The Members Of The Special Needs Employment Services Inc.

We have audited the accompanying financial statements of **The Special Needs Employment Services Inc.**, which comprise the statement of financial position as at March 31, 2016 and the statement of operations, statement of changes in net assets and statement of 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 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 we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

**Independent Auditor's
Report cont'd....**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Special Needs Employment Services Inc.** as at March 31, 2016, and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Collin Ferrero Sarnia." The signature is written in a cursive style.

**Sarnia, Ontario
June 14, 2016**

**Chartered Accountants
Licensed Public Accountants**

The Special Needs Employment Services Inc.
Statement Of Operations
For The Year Ended March 31, 2016

	2016	2015
Revenue		
MTCU Funding	\$ 569,948	\$ 569,948
Program	38,514	53,244
Fundraising	4,179	21,259
Interest	1,018	2,679
Amortization of deferred capital contributions	<u>2,778</u>	<u>3,964</u>
	<u>616,437</u>	<u>651,094</u>
Expenditures		
Advertising	6,988	9,590
Amortization	2,995	4,274
Board & administrative expense	2,412	-
Community outreach	1,553	-
Insurance	3,328	4,145
Miscellaneous	9,478	7,894
Office materials and supplies	15,708	13,448
Professional fees	10,720	6,697
Rent	79,846	80,120
Salaries and benefits	450,963	553,183
Staff training and development	4,178	6,939
Technical support	25,828	24,116
Transportation and travel	2,110	1,302
Utilities	17,257	16,903
Supports for individuals	<u>3,390</u>	<u>3,695</u>
	<u>636,754</u>	<u>732,306</u>
Deficiency Of Revenue Over Expenditures	<u>\$ (20,317)</u>	<u>\$ (81,212)</u>

The Special Needs Employment Services Inc.
Statement Of Changes in Net Assets
For The Year Ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Balance, Beginning	\$ 203,674	\$ 299,511
Deficiency of Revenue Over Expenditures	<u>(20,317)</u>	<u>(81,212)</u>
	183,357	218,299
Recovery of Prior Year EHT	23,345	-
Recovery (Repayment) of Prior Years ODSP Funding	<u>4,217</u>	<u>(14,625)</u>
Balance, Ending	<u>\$ 210,919</u>	<u>\$ 203,674</u>

The Special Needs Employment Services Inc.
Statement of Financial Position
March 31, 2016

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and short-term investments	\$ 189,160	\$ 210,056
Accounts receivable	23,814	8,887
Prepaid expenses	<u>10,376</u>	<u>5,231</u>
	223,350	224,174
Property, Plant And Equipment (note 2)	<u>7,038</u>	<u>10,033</u>
	<u>\$ 230,388</u>	<u>\$ 234,207</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 12,937	\$ 21,223
Deferred Capital Contribution	<u>6,532</u>	<u>9,310</u>
	<u>19,469</u>	<u>30,533</u>
Net Assets	<u>210,919</u>	<u>203,674</u>
	<u>\$ 230,388</u>	<u>\$ 234,207</u>

On Behalf Of The Board

_____ Directors

The Special Needs Employment Services Inc.
Statement Of Cash Flows
For The Year Ended March 31, 2016

	2016	2015
Cash Provided By (Used For)		
Operating Activities		
Deficiency of revenue over expenditures	\$ (20,317)	\$ (81,212)
Items not requiring cash:		
Recovery of prior year EHT	23,345	-
Repayment of prior years ODSP funding	4,217	(14,625)
Amortization of deferred capital contributions	(2,778)	(3,964)
Amortization	<u>2,995</u>	<u>4,274</u>
	7,462	(95,527)
Net change in non-cash working capital items affecting operations:		
Accounts receivable	(14,927)	3,813
Prepaid expenses	(5,145)	945
Accounts payable and accrued liabilities	<u>(8,286)</u>	<u>2,000</u>
	<u>(20,896)</u>	<u>(88,769)</u>
Increase (Decrease) In Cash	(20,896)	(88,769)
Cash Position and Short-Term Investments, Beginning	<u>210,056</u>	<u>298,825</u>
Cash Position and Short-Term Investments, Ending	<u>\$ 189,160</u>	<u>\$ 210,056</u>
Supplementary Cash Flow Information:		
Cash	\$ 54,894	\$ 107,353
Short-term investments	<u>134,266</u>	<u>102,703</u>
	<u>\$ 189,160</u>	<u>\$ 210,056</u>

Nature of Activities

The Special Needs Employment Service Inc. is incorporated under the Business Corporation Act of the Province of Ontario as a corporation without share capital. It has exempt status from income taxes as a registered charity and is classified as a charitable organization under Sections 149 and 149.1 of the Income Tax Act, Canada.

It operates under contracts with the Ministry of Training, Colleges and Universities ("MTCU") and the Ministry of Community and Social Services ("MCSS") with the following general objectives:

To provide employment service to persons residing in Lambton County to assist them in identifying and over coming barriers to employment in the areas of Career Planning, Job Search, Job Placement, and Job Maintenance;

To honour a commitment to diversity by providing supportive services inclusive for persons with disabilities and ensure that our employment services are responsive equally to the needs of all clients.

To liaise with municipal, provincial, federal and other funding sources where mutual clients are involved.

1. Significant Accounting Policies

Basis of Accounting

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

Investments

The Special Needs Employment Services Inc. records investments at cost and realizes income as it is earned.

Fund Accounting

The organization's financial statements are prepared on a restricted fund accounting basis.

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

Revenue Recognition

Revenue from grants is recognized as earned in accordance with the terms and conditions of the grant. Amounts received and unearned are reflected on the balance sheet as deferred revenue.

The contracts with MCSS and MTCU provide that any surplus funds arising from the conduct of the contracts maybe repayable to the Ministry at its request. On request, the Ministry may allow all or part of the surplus to be expended on equipment or special projects. Any amounts paid, for a prior year, are reflected through the Statement of Net Assets.

The Special Needs Employment Services Inc.
Notes To Financial Statements
March 31, 2016

1. Significant Accounting Policies cont'd...

Revenue Recognition cont'd...

Deferred capital contributions represent the amount of funding specifically used to purchase property, plant and equipment. The deferred capital contributions are amortized using the same rates and methods as the corresponding asset.

Cash and Cash Equivalents

Cash is defined as cash on deposit and deposits in transit net of all cheques issued and outstanding at the reporting date and temporary investments.

Income Taxes

The Special Needs Employment Service Inc. is exempt from the payment of income taxes under Section 149 (1)(1) of the Income Tax Act.

Financial Instruments

The Special Needs Employment Service Inc. measures its financial instruments at fair value.

The Special Needs Employment Service Inc. subsequently measures all its financial instruments at amortized cost.

Financial instruments measured at amortized cost include cash, short term investments, accounts receivables, MTCU receivables, accounts payable and accrued liabilities.

Financial assets measured at amortized cost are tested for impairment at the end of each year, and the amount of any write-down, if any, is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement and the amount of reversal is recognized in net income. The reversal may be recorded provided it is no greater than the amount that has previously been reported as a reduction in the asset and it does not exceed original cost.

Property, Plant And Equipment

Amortization of property, plant and equipment is calculated using the following annual rates and methods:

Computer hardware	30-45% diminishing-balance
Computer software	100% straight-line
Furniture and equipment	20% diminishing-balance
Leasehold improvements	20% straight-line

Use Of Estimates

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Notes continued on page 9...

The Special Needs Employment Services Inc.
Notes To Financial Statements
March 31, 2016

2. Property, Plant And Equipment			2016	2015
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer hardware	\$ 72,249	\$ 65,327	\$ 6,922	\$ 9,888
Furniture and equipment	<u>68,147</u>	<u>68,031</u>	<u>116</u>	<u>145</u>
	<u>\$ 140,396</u>	<u>\$ 133,358</u>	<u>\$ 7,038</u>	<u>\$ 10,033</u>

3. Commitment

Under the terms of operating leases for building rent, which expire in December 2015 and March 2016, the organization is committed to minimum lease payments of \$68,763.

2017	\$ 60,931
2018	60,931
2019	60,931
2020	60,931
2021	<u>45,699</u>
	<u>\$ 289,423</u>

4. Financial Instruments Risks Disclosures

The main risks the organization's financial instruments are exposed to are credit risk, liquidity risk, and interest rate risk each of which is discussed below.

Credit Risk

The organization is exposed to credit risk in the event of non-payment by their customers for their accounts receivable. The organization believes there is minimal risk associated with these amounts due to the diversity of its customers and there are no significant concentrations of accounts receivable with any group of customers that are related to each other. The allowance for doubtful accounts for 2016 is \$Nil (2015 - \$Nil).

Liquidity Risk

Liquidity risk relates to the risk the organization will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and accrued liabilities and the bonus payable. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

4. Financial Instruments Risks Disclosures cont'd...

Market Risk (Price Risk)

Market risk is the risk that changes in market prices and interest rates will affect the company's net earnings or the value of financial instruments. These risks are generally outside the control of the organization. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization's financial instruments are all in Canadian dollars and consequently the organization has no currency risk.

Interest Rate Risk

The organization is exposed to interest rate cash flow risk to the extent that a portion of the long-term debt bears interest at a floating interest rate. The organization is exposed to interest rate price risk to the extent that a portion of the long-term debt is at a fixed interest rate.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk and interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is not exposed to other price risk.

Changes in Financial Instruments Risks Disclosures

There have been no significant changes to the risk exposures from the prior year.