Financial Statements

Philippine/Filipino Centre, Toronto

December 31, 2018 and 2017
(Unaudited – See Independent Practitioner's Review Engagement Report)

SRCO

Philippine/Filipino Centre, Toronto
December 31, 2018 and 2017

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Board of Directors of Philippine/Filipino Centre, Toronto

We have reviewed the accompanying financial statements of Philippine/Filipino Centre, Toronto. (the "Organization") that comprise the statement of financial position as at December 31, 2018 and 2017, and the statement of operations, changes in net assets and cash flows for the years 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our reviews. We conducted our reviews in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioners perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

(continues)

Independent Practitioner's Review Engagement Report to the Board of Directors of Philippine/Filipino Centre, Toronto *(continued)*

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Philippine/Filipino Centre, Toronto as at December 31, 2018 and 2017, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

Emphasis of Matters

Without qualifying our conclusion, we draw attention to Note 8 in the financial statements, which indicates that the Organization's Board of Directors approved the remuneration, pertaining to 2016 and prior years in arrears, to certain current and former employees in the total amount of $548,296.

Other Matter

The financial statements of Philippine/Filipino Centre, Toronto for the year ended December 31, 2016, were neither audited nor reviewed.

SRCO Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Richmond Hill, Ontario
November 22, 2019

Philippine/Filipino Centre, Toronto
(Unaudited – See Independent Practitioner's Review Engagement Report)

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2018 and 2017

	2018 $	2017 $
ASSETS		
CURRENT		
Cash	**330,649**	796,102
Guranteed investment certificate *[Note 3]*	**1,066,939**	3,021,962
Harmonized sales tax recoverable	**652**	5,823
Refundable deposit for purchase of building	**50,000**	—
Prepaid expenses	**2,500**	—
	1,450,740	3,823,887
CAPITAL ASSETS *[Note 4]*	**1,999,209**	—
	3,449,949	3,823,887
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	**14,464**	78,529
Due to related parties *[Note 8]*	**30,431**	230,360
	44,895	308,889
Net assets		
Unrestricted	**3,405,054**	3,514,998
	3,449,949	3,823,887

Contingency *[Note 9]*

See accompanying notes

On behalf of the Board:

Mary Ann San Juan [signature] Director, FCT Pres. + CEO

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Philippine/Filipino Centre, Toronto

(Unaudited – See Independent Practitioner's Review Engagement Report)

STATEMENTS OF OPERATIONS

For the years ended December 31, 2018 and 2017

	2018 $	2017 $
REVENUE		
Program revenues	**55,137**	56,464
Interest income	**24,308**	21,962
Rental income	**7,737**	31,142
Donations	**925**	—
Membership fee	**100**	—
	88,207	109,568
EXPENDITURES		
Program expense	**55,332**	58,255
Professional fees	**45,324**	32,235
Depreciation	**25,359**	—
Property taxes	**21,960**	10,122
Office expenses	**13,316**	3,602
Storage rental	**10,453**	14,903
Repairs and maintenance	**9,490**	23,967
Insurance	**5,512**	13,534
Auto and travel expenses	**4,071**	1,800
Telephone	**3,109**	1,934
Utilities	**2,876**	21,628
Advertising and promotion	**1,051**	—
Bank charges and interest	**298**	10,720
	198,151	192,700
DEFICIENCY OF REVENUE OVER EXPENDITURES	**(109,944)**	(83,132)
OTHER INCOME		
Gain on sale of building *[Note 5]*	**—**	4,434,083
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES	**(109,944)**	4,350,951

See accompanying notes

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Philippine/Filipino Centre, Toronto
(Unaudited – See Independent Practitioner's Review Engagement Report)

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2018 and 2017

	[Unrestricted]	
	2018	**2017**
	$	**$**
NET ASSETS (DEFICIENCY) - BEGINNING OF YEAR	**3,514,998**	(835,953)
(Deficiency) excess of revenue over expenditures	**(109,944)**	4,350,951
NET ASSETS - END OF YEAR	**3,405,054**	3,514,998

See accompanying notes

Philippine/Filipino Centre, Toronto
(Unaudited – See Independent Practitioner's Review Engagement Report)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

	2018 $	2017 $
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenditures	**(109,944)**	4,350,951
Items not affecting cash		
Gain on sale of building	**—**	(4,434,083)
Depreciation	**25,359**	—
	(84,585)	(83,132)
Change in non-cash working capital balances:		
Harmonized sales tax recoverable	**5,171**	(17,238)
Refundable deposit for purchase of building	**(50,000)**	—
Prepaid expenses	**(2,500)**	(23,287)
Accounts payable and accrued liabilities	**(64,065)**	(553,552)
Cash flow used in operating activities	**(195,979)**	(677,209)
INVESTING ACTIVITIES		
Proceeds from sale of building	**—**	5,364,168
Purchase of guaranteed investment certificate	**(1,044,977)**	(3,021,962)
Proceeds from guaranteed investment certificate	**3,000,000**	—
Purchase of capital assets	**(2,024,568)**	—
Cash flow (used in) provided by investing activities	**(69,545)**	2,342,206
FINANCING ACTIVITIES		
Mortgage payable	**—**	(1,119,074)
Due to related parties	**(199,929)**	230,360
Cash flow used in financing activities	**(199,929)**	(888,714)
(DECREASE) INCREASE IN CASH	**(465,453)**	776,283
CASH - BEGINNING OF YEAR	**796,102**	19,819
CASH - END OF YEAR	**330,649**	796,102

See accompanying notes

Philippine/Filipino Centre, Toronto

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017
(Unaudited – See Independent Practitioner's Review Engagement Report)

1. PURPOSE OF THE ORGANIZATION

Philippine/Filipino Centre, Toronto (the "Organization") is incorporated without share capital, under the Ontario Not-For-Profit Corporations Act, on January 20, 2000.

The objectives of the Organization are:

a. Promoting the best of the Philippine community in the Greater Toronto Area generally;
b. Developing and fostering community spirit;
c. Establishing and maintaining a Philippine community centre;
d. Promoting organized athletics, arts, recreation and education, civic emergence, social service and other community endeavors; and
e. Such other complementary purposes not inconsistent with these objects.

The Organization is a Canadian not-for-profit organization exempt from income taxes under Part 1 of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as contained in Part III of the Chartered Professional Accountant Canada ("CPAC") Handbook. To the extent Part III of the CPAC Handbook does not address certain matters applicable to the Organization; it will use accounting standards for private enterprises contained in Part II of the CPAC Handbook.

Revenue recognition

The Organization follows the deferral method of accounting for contributions that include donations and contributions for various activities and programs. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the period that the related expenses are incurred. Rental income is recognized on a straight-line basis over the lease term. Interest income is recorded on an accrual basis.

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of financial instruments (continued)

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at cost or amortized cost include cash and guaranteed investment certificate.

Financial liabilities measured at cost or amortized cost includes accounts payable and accrued liabilities and due to related parties.

Impairment of financial instruments

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statements of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statements of operations.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Capital assets, except for the land, are amortized over their estimated useful lives using the following rates and methods:

Building	4%	declining balance
Furniture and equipment	20%	declining balance

All additions made during the year are amortized at 50% of the above rates.

Impairment of long-lived assets

The Organization reviews long-lived assets, such as capital assets, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long lived asset exceeds its fair value. There were no significant indications of impairment of the carrying values of the Organization's long-lived assets at December 31, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed materials and services

Volunteers contribute extensive time and effort to assist the Organization in carrying out its activities. Because of the difficulty in determining fair value, contributed materials and services are not recognized in the financial statements.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management reviews these estimates periodically including useful lives of capital assets and accruals. As adjustments become necessary, they are reported in the period that they become known. Actual results may vary from the current estimates.

3. GUARANTEED INVESTMENT CERTIFICATES

The guaranteed investment certificate (GIC) matured on July 2019 with interest at 2.5% (2017 - 0.80%).

4. CAPITAL ASSETS

	Cost $	Accumulated amortization $	2018 Net Book Value $	2017 Net Book Value $
Land	787,580	—	**787,580**	—
Building	1,229,233	24,584	**1,204,649**	—
Furniture and equipment	7,755	775	**6,980**	—
	2,024,568	25,359	**1,999,209**	—

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5. GAIN ON SALE OF BUILDING

In January 2017, the Organization sold its previously owned building with a carrying value of $930,085 for a net proceed of $5,364,168, thereby resulting in a gain of $4,434,083. The gain was recognized as other income in the statements of operations.

6. 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 at the statements of financial position dates, December 31, 2018 and 2017:

Credit Risk

Credit risk is the risk of a loss if counterparty to a financial instrument fails to meet its contractual obligations. The Organization is exposed to credit risk primarily from its cash balances and guaranteed investment certificate. The Organization manages this risk by maintaining its accounts with credit worthy and reputable financial institutions. Management believes that the credit risk to be minimal.

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with the settlement of its financial liabilities. The Organization is subject to liquidity risks arising from its accounts payable and accrued liabilities. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains adequate cash reserves. In the opinion of management, the liquidity risk exposure to the Organization is not significant.

Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument might be adversely affected by a change in the interest rates. The Organization is exposed to interest rate risk on its guaranteed investment certificate. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities.

7. CAPITAL MANAGEMENT

In managing capital, the Organization focuses on liquid resources available for operations. The Organization's objective is to have sufficient liquid resources to continue operating despite adverse financial events. 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 the budget.

7. CAPITAL MANAGEMENT (continued)

As at December 31, 2018 and 2017, the Organization has met its objective of having sufficient liquid resources to meet its current obligations.

8. DUE TO RELATED PARTIES

The amounts due to related parties, which is related by virtue of common ownership, are unsecured, non-interest bearing, and have no set terms of repayment.

The amount due to related parties represents the remaining balance from the total amount of $548,296 of remuneration payable, in arrears, to certain current and former employees pertaining to 2016 and prior years. These remunerations were approved by the Board of Directors through a special resolution, under the authorities vested to them by the Organization's Constitution.

Transactions are considered to be related party transactions if management has the ability to exercise significant influence through its ownership of shares and presence on the board of directors. Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. CONTINGENCY

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2018 and 2017, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

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On behalf of the Board:

________________________________ Director

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