



Community Investment Program

Financial Assessment, Reporting &  
Accountability Document

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## Financial Assessment Process

The Community Investment Program remains committed to the transparent assessment of funding applications. We aim to invest in organizations that demonstrate financial viability while meeting service delivery and program objectives.

## Funding Approach

Community Investment Program will provide funded agencies with allocations for a predetermined funding term. The funding and contracting cycle will be aligned with Region of Peel's budget and approved by Council on a yearly basis as part of the Region's budgetary process.

The Community Investment Program has a limited budget and demand continues to increase. Our goal is to expand our reach by taking a balanced approach to distributing funding in an equitable and transparent way.

## Assessment Process and Criteria

Each application that meets the general eligibility requirements will be reviewed by a Fund Review Committee comprised of Region of Peel staff and assessed based on the following criteria:

### 1. Demonstrated Need

We will consider information that explains how this funding will positively impact the agency and the community. Agencies are encouraged to provide information on the identified need and key priorities and rationale for funding. We will evaluate and compare eligible applications against program criteria, principles, and objectives.

### 2. Organizational Financial Health

You must demonstrate strong organizational management in the areas of financial management, board leadership and operational capacity.

Agencies are encouraged to provide information on the what the organization will do to sustain the funding once the funding term ends.

Financial management in a not-for-profit organization requires high-level financial oversight processes such as creating a budget, checking the actual financial results against the budget, and explaining the variances.

Board Leadership requires all positions to be filled in accordance with the by-laws, with varied composition, appropriate community representation, and evidence of active oversight by the Board. Agencies must complete and update the Service Provider Profile form on GovGrants on a yearly basis to ensure information is current.

### 3. Financial Assessment

The Community Investment Program completes a financial assessment as a part of the eligibility and approval process, to broadly assess risk present in not-for-profit funding applicants.

These risk factors are measured using the financial ratios that determine the financial assessment score. The financial ratios used include Liquidity, Leverage, Profitability, and Expenditures.

<b>Liquidity – Measures the ability to meet short-term obligations</b>
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<b>Current Ratio:</b>
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Indicates the agency ability to pay off its short term debt obligations by comparing your current assets to your current liabilities.
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<b>Operating Reserve Ratio:</b>
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This ratio addresses whether unrestricted surplus is sufficient to support agencies without having to borrow externally.
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<b>Cash and Equivalents / Total Assets:</b>
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Is an efficiency ratio that rates actual cash flows to the not-for-profit assets without being affected by income recognition. It shows how much liquid cash not-for-profit has in comparison to total assets.
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<b>LEVERAGE - The ability to operate within the agency's means during the year; assets that are financed by creditors; liabilities and debt</b>
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<b>Net Assets:</b>
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This is a measure of financial performance on how well the agency is generating a profit from its assets.
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<b>Debt-to-Asset Ratio / Solvency Ratio:</b>
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This ratio measures the ability of not-for-profit to pay its long term debt and the interest on the debt.

**PROFITABILITY - The average of the last two years of Surplus (Deficit)**  
**Diversity of revenue sources**

**Net average of 2 years surplus (deficit):**

Calculates the average of the last 2 years of Surplus (Deficit)

**EXPENDITURES**

**Looking for high proportion dedicated to delivery programs.**

**Staffing Costs As % Total Operating Expense:**

Staffing costs incurred as a percentage of total operating expense.

**Program Costs As % Total Operating Expense:**

Program costs incurred as a percentage of total operating expense.

**OTHER – Qualified Opinion and Financial Notes**

Auditor’s opinion or financial notes that disclose agency “Going concern” or “Qualified opinion” concern.

The above concern may place agencies in a high risk position where it has low ability to continue operations without support or assistance.

The following financial statements are required to be submitted when completing your Service Provider Profile on GovGrants and/or when applying for funding:

<b>Organization Revenue Size</b>	<b>Mandatory Requirements</b>
Revenue > \$250,000	Most recent two years of Audited Financial Statements, signed and dated by auditor.

Revenue between \$150,000 - \$250,000	Most recent two years of A Review Engagement Report, signed and dated by auditor.
Revenue < \$150,000	Most recent two years of A Notice to Reader

**NOTE:** Financial Statements must be prepared and signed by a qualified professional and audited by a Certified Public Accountant. Regardless of the revenue size of organization, the financial statements will still be required. If the statements are not in an acceptable format, or does not have the information required, your application may not be forwarded to the next review stage.

The Year-to-Date (YTD) Financial Statements can be generated using the organization’s accounting software; however, the information must include the relevant information.

In general, the documentation submitted needs to include the following information: Assets, Liabilities, Revenue, Expenses, Net Assets (Capital)

The financial statements below are examples of what the reports are often titled, and the type of information usually found in these reports is provided in brackets. The statements do not correspond with each other, and they are for illustrative purposes only.

**Statement of Financial Position or Balance Sheet (Assets and Liabilities)**

Statement of Financial Position March 31, 2021		
	Total 2021	Total 2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 300,000	\$ 230,000
Accounts receivable	7,000	31,000
Sales tax recoverable	16,000	7,000
Prepaid expenses	12,000	4,000
	335,000	272,000
<b>CAPITAL ASSETS</b>	95,000	0
	\$ 430,000	\$ 272,000
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	24,000	\$ 5,000
Deferred revenue	60,000	60,000
	84,000	65,000
<b>FUND BALANCES</b>	346,000	207,000
	\$ 430,000	\$ 272,000

**Statement of Revenue and Expenses/Income Statement (Net surplus or Deficit)**

Statement of Revenues and Expenditures Year Ended March 31, 2021		
	Total 2021	Total 2020
<b>REVENUES</b>		
Donations and funding	\$ 300,000	\$ 275,000
Other revenues and grants	100,000	50,000
Community Grants	500,000	450,000
	900,000	775,000
<b>EXPENDITURES</b>		
Salaries and wages	500,000	525,000
Occupancy	95,000	75,000
Accounting	15,000	13,000
Amortization	10,000	1,000
Insurance	5,000	6,000
Interest and bank charges	4,000	3,000
Training and development	3,000	2,000
Fundraising	1,500	5,000
Administrative and advertising	1,000	2,000
	634,500	632,000
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 265,500	\$ 143,000

**Statement of Operations and Net Assets (similar to Revenue and Expenses but includes Net Assets)**

**Statement of Changes in Net Assets  
Year Ended March 31, 2022**

	<b>2022</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 10,500
Excess of revenues over expenses	<u>21,285</u>
<b>NET ASSETS - END OF YEAR</b>	\$ 31,785

***Statement of Cash Flows*** (provides aggregate data regarding all cash inflows an agency receives from ongoing operations and external funding sources)



**Statement of Cash Flows**  
**Year Ended March 31, 2021**

	<b>2021</b>
<b>OPERATING ACTIVITIES</b>	
Excess (deficiency) of revenues over expenditures	\$ 145,000
Item not affecting cash:	
Amortization of capital assets	10,000
	155,000
Changes in non-cash working capital:	
Accounts receivable	20,000
Accounts payable	15,000
Deferred revenue	(2,000)
Prepaid expenses	(8,000)
Sales tax recoverable	(7,000)
	18,000
Cash flow from (used by) operating activities	173,000
<b>INVESTING ACTIVITY</b>	
Purchase of capital assets	(75,000)
Cash flow from (used by) investing activity	(75,000)
<b>INCREASE (DECREASE) IN CASH</b>	<b>98,000</b>
Cash - beginning of year	200,000
<b>CASH - END OF YEAR</b>	<b>\$ 298,000</b>

*YTD Statements - Actual Revenue and Expenses and Balance Sheet*

## Revenue and Expenditures

April 2021 - March 2022

	<u>Apr. 2021 - Mar. 2022</u>
<b>INCOME</b>	
4030 General Donations	150,000.00
4034 Events	70,000.00
4040 Corporate	36,000.00
4070 Community	55,000.00
4078 Foundation	120,000.00
4080 Donation In-Kind	13,000.00
4120 Churches	100,000.00
4159 Other Revenue	1,000.00
4161 Program Fees	
4195 Government	116,000.00
Total Income	<u>\$ 661,000.00</u>
<b>EXPENSES</b>	
Administration Expenses	21,000.00
Fundraising Expenses	25,000.00
Occupancy Costs	105,000.00
Payroll	325,000.00
Programs	100,000.00
Total Expenses	<u>\$ 576,000.00</u>
Surplus/Loss	<u>-\$ 85,000.00</u>

**Balance Sheet**  
As of March 31, 2022

	As of Mar. 31, 2022
Bank Account (operating)	61,000
Accounts Receivable	10,000
HST Receivable	10,000
Prepaid Expenses	7,000
Reserve	230,000
Property, and Equipment	100,000
	<b>418,000</b>
Deferred Donations	105,000
Accounts Payable	8,000
	<b>113,000</b>
Total Equity	300,000
	<b>413,000</b>

4. Business Practices with Not-for-profit Organizations

The Community Investment Program has implemented business practices and procedures for organizations to:

- Ensure that funds are used in accordance with the funding agreement and the procedures outlined in Guidelines;
- Monitor the use of funds with organizations on the predetermined reconciliation schedule; and
- Reconcile organization use of funds and recover funds as required.

## Reporting and Financial Accountability

The Community Investment Program will continue to use GovGrants, our online fund management system, to maintain a comprehensive reconciliation process in place with funded agencies. This process allows us to reconcile actuals against awarded amounts, assist in recovering unused funds, and allows for agencies to provide supporting documentation for audit purposes.

### Financial Reporting Cycle

Funded agencies will provide the following submissions to Region of Peel Community Investment Program:

Type of Submission	Requirement
Application Form + Mandatory Template(s), if applicable	<ul style="list-style-type: none"> <li>Each fund will have an application form to complete, mandatory template(s) and other requirements, if applicable.</li> <li>Details will be communicated in the fund Guidelines.</li> </ul>
Financial Reconciliation Report	<ul style="list-style-type: none"> <li>The mid-year report and the year-end report allows the Community Investment Program to ensure the funds distributed have been spent and/or recovered.</li> <li>The Financial report will be submitted based on the schedule outlined in your service contract for each fund for which you have been awarded funding.</li> </ul>
Progress Report – Key Performance Indicators (KPIs)	<ul style="list-style-type: none"> <li>The mid-year and the year-end Progress report ensures the specified Key Performance Indicator target(s) and the outcomes of the fund have been achieved.</li> <li>The Progress report will be submitted based on the schedule outlined in your service contract for each fund for which you have been awarded funding.</li> </ul>
Reconciliation Supporting Documentation	<ul style="list-style-type: none"> <li>Agencies will be required to provide supporting documentation for audit purposes as outlined in the program funding Guidelines.</li> <li>The Community Investment Program may conduct check-ins at any time to assess whether funding has been used for its intended purpose and may request receipts, invoices, and proof of purchase to assess expenditures.</li> </ul>

Reallocation Requests	<ul style="list-style-type: none"> <li>• Agencies can reallocate funds up to 10% of approved budget categories. Agencies are required to report reallocations on GovGrants under the Budget Narrative of the reconciliation reports.</li> <li>• For requests greater than 10%, agencies will be required to complete a Reallocation Request Form and submit the form to <a href="mailto:CIP@peelregion.ca">CIP@peelregion.ca</a> for approval.</li> </ul>
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## Variance Reporting

Variance reporting is required for funding that has been underspent or overspent in expenditures for mid-year and year-end report(s). Funded agencies are required to report significant variances, the reason for the variance and the impact on agency pressures.

Significant variances are identified as follows:

- Financial reconciliation report: A variance explanation is required if the financial data is 10% over or under the mid-year total projections.
- For example, Agency approved funded amount is \$50,000. At mid-year reconciliation it is generally anticipated that the amount of funding spent is approximately \$25,000. If the agency has spent more or less than 10% of the \$25,000, then a variance explanation or comment is required.

Significant Variance	Variance Reporting
Financial Data	+/-10%
Key Performance Indicators	+/- 10%

## Policy for Late Filing

There are contractual obligations for agencies who receive funding from Region of Peel-Community Investment Program, and one of the obligations is completing the reconciliation reports.

Reconciliation reports must be completed by the specified timeline outlined in your funding service agreement. The Community Investment Program acknowledges that the majority of funded agencies complete the reporting and related information on a timely basis.

The intent behind the late filing process outlined below is to ensure The Community Investment Program has the information required to demonstrate accountability for public funds. We will continue to support funded agencies with the training and resources to complete these reports.

Where an agency submits after the filing deadline, the Region of Peel will take the following action until the report(s) have been received:

- The Community Investment Program will inform the agency that the submission is overdue by email and phone call. Therefore, it is important to ensure the Service Provider Profile has the current Primary User contact information entered on GovGrants.
- If the reporting requirements have not been met within four weeks past the due date, the Community Investment Program may withhold future payments.
- Upon submission of the requirements, the Community Investment Program will revert back to the normal payment schedule including any payments that were on hold.
- If the reporting requirements have not been met within six weeks past the due date, the unused funding may be reallocated to another agency.

The demand for funding continues to increase, and the Community Investment Program's goal is to extend reach and support to as many agencies as possible with available funding.

## Recoveries

Agencies will return unused funds or funds not utilized in accordance with the conditions outlined in the fund Guidelines and/or funding agreement. Agencies will repay the Region of Peel /Community Investment Program all or part of their funding in the following situations:

- Eligibility criteria was not met
- Funds were not fully spent
- Funding was not used in accordance with the terms of the Funding Agreement or fund Guidelines