

Neighbour to Neighbour Centre (Hamilton)
Financial Statements
For the year ended March 31, 2017

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Independent Auditor's Report

To the Directors of Neighbour to Neighbour Centre (Hamilton)

We have audited the accompanying financial statements of Neighbour to Neighbour Centre (Hamilton) (the "Organization"), which comprise the statement of financial position as at March 31, 2017, the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared by management using the basis of accounting as described in Note 1, Basis of Accounting.

Management's Responsibility

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting as described in Note 1; this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, 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 Organization's preparation 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 Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Organization, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, bequests and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended March 31, 2017 and 2016, current assets as at March 31, 2017 and 2016 and net assets as at March 31 and April 1 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended March 31, 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 matters described in the Basis for Qualified Opinion paragraph, the financial statements of Neighbour to Neighbour Centre (Hamilton) for the year ended March 31, 2017 are prepared, in all material respects, in accordance with the basis of accounting as described in Note 1, Basis of Accounting.

Basis of Accounting

Without further modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Organization with its external reporting requirements. As a result, the financial statements may not be suitable for another purpose.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
June 8, 2017

**Neighbour to Neighbour Centre (Hamilton)
Statement of Financial Position**

March 31	2017	2016
Assets		
Current		
Cash	\$ 332,728	\$ 432,901
Accounts receivable	143,588	100,590
HST receivable	72,195	44,404
Prepaid expenses	24,982	36,555
	573,493	614,450
Capital assets (Note 2)	1,186,064	635,966
Restricted assets - cash	221,739	209,739
	\$ 1,981,296	\$ 1,460,155

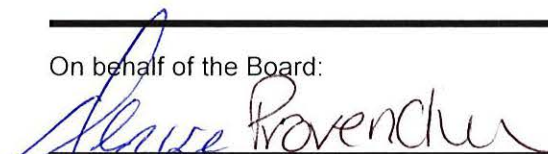
Liabilities and Net Assets

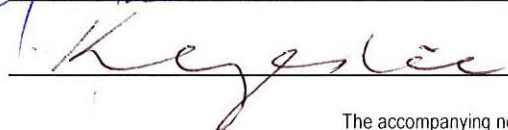
Current		
Accounts payable and accrued liabilities	\$ 151,693	\$ 25,538
Current portion of mortgage payable (Note 3)	5,099	5,099
Current portion of deferred revenue (Note 4)	303,578	397,448
	460,370	428,085
Mortgage payable (Note 3)	43,336	48,435
Deferred revenue (Note 4)	40,000	60,000
Deferred contributions related to capital assets (Note 5)	610,341	112,927
Deferred rent	33,882	-
	1,187,929	649,447

Net Assets

General Fund	(1,594)	85,530
Invested in Capital Assets	527,288	469,505
Capital Reserve Fund	58,724	46,724
Reserve Fund	185,000	185,000
Bequest Fund	23,949	23,949
	793,367	810,708
	\$ 1,981,296	\$ 1,460,155

On behalf of the Board:

 Director

 Director

The accompanying notes are an integral part of these financial statements.

Neighbour to Neighbour Centre (Hamilton)
Statement of Changes in Net Assets

For the year ended March 31

2017

2016

	General Fund	Invested in Capital Assets (Note 6)	Capital Reserve Fund	Reserve Fund	Bequest Fund	Total	Total
Balance, beginning of year	\$ 85,530	\$ 469,505	\$ 46,724	\$ 185,000	\$ 23,949	\$ 810,708	\$ 814,504
Deficiency of revenue over expenses for the year	16,790	(34,131)	-	-	-	(17,341)	(3,796)
Fund transfers (Note 7)	(12,000)	-	12,000	-	-	-	-
Investment in capital assets	(91,914)	91,914	-	-	-	-	-
Balance, end of year	\$ (1,594)	\$ 527,288	\$ 58,724	\$ 185,000	\$ 23,949	\$ 793,367	\$ 810,708

The accompanying notes are an integral part of these financial statements.

Neighbour to Neighbour Centre (Hamilton) Statement of Operations

For the year ended March 31	2017	2016
Revenue		
Bequests	\$ -	\$ 2,000
Donations - unrestricted	358,365	420,337
Donations - restricted	452,800	144,130
Fundraising events	252,028	240,662
Grants - City of Hamilton	382,014	237,611
Grants - Federal	59,969	20,987
Grants - other	122,059	108,971
Gifts in kind	1,878,917	1,969,140
Interest and other income	4,236	100
Sale of books and cards	28,742	27,449
Utility subsidy program	170,399	114,713
	3,709,529	3,286,100
Expenses		
Administration	255,235	240,664
Building and grounds	75,232	80,813
Community food	2,782,312	2,402,112
Education	117,837	92,047
Family services and building better futures	223,686	191,680
Marketing and development	184,901	191,955
Volunteer services	53,536	50,677
	3,692,739	3,249,948
Excess of revenue over expenses before other items	16,790	36,152
Other revenue (expenses)		
Amortization	(46,161)	(42,908)
Amortization of deferred contributions related to capital assets	12,030	2,960
	(34,131)	(39,948)
Deficiency of revenue over expenses for the year	\$ (17,341)	\$ (3,796)

The accompanying notes are an integral part of these financial statements.

Neighbour to Neighbour Centre (Hamilton) Statement of Cash Flows

For the year ended March 31	2017	2016
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	\$ (17,341)	\$ (3,796)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities		
Amortization	46,161	42,908
Amortization of deferred contributions related to capital assets	(12,030)	(2,960)
Changes in non-cash working capital balances		
Accounts receivable	(42,998)	(25,380)
HST receivable	(27,791)	(30,206)
Prepaid expenses	11,573	(22,608)
Accounts payable and accrued liabilities	126,155	(27,751)
Deferred revenue	(49,959)	147,961
Deferred rent	33,882	-
	<u>67,652</u>	<u>78,168</u>
Cash flows from investing activities		
Purchase of capital assets	(596,259)	(138,287)
Increase in restricted assets - cash	(12,000)	(12,157)
Deferred contributions related to capital assets	445,533	115,887
	<u>(162,726)</u>	<u>(34,557)</u>
Cash flows from financing activity		
Repayment of mortgage payable	(5,099)	(5,099)
Increase (decrease) in cash during the year	(100,173)	38,512
Cash, beginning of year	432,901	394,389
Cash, end of year	\$ 332,728	\$ 432,901

The accompanying notes are an integral part of these financial statements.

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies

Nature of Business

The Organization was founded in 1986 and was incorporated as a corporation without share capital by letters patent issued under the Ontario Corporation Act on June 26, 1997. The Organization is a registered Canadian charity and is therefore exempt from payment of income taxes as provided under the Income Tax Act.

Its purpose is to alleviate and prevent poverty by supporting neighbours at risk.

Basis of Accounting

These financial statements are prepared by management using Canadian accounting standards for not-for-profit organizations except that contributed food inventory held at year-end has not been recorded in the statement of financial position as required in Section 3032, Inventories held by not-for-profit organizations. Instead food inventory has been expensed as received.

Deferred Rent

The premises lease for the Organization is accounted for as an operating lease wherein rental payments are expensed on a straight-line basis. Deferred rent represents the difference between the rent paid and the straight-line value of the rental payments expensed since the commencement of the lease.

Revenue Recognition

The Organization follows the deferral method of accounting for donations. Grants and restricted donations and programs are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations and fundraising events revenue are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from the sale of books and cards and interest and other income is recognized in the period in which they are earned.

Contributions related to building and equipment are recognized as revenue on the same basis as the amortization expense of the related asset.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of the contribution.

Amortization, based on the estimated useful life of the asset, is provided as follows:

Buildings	- 4 % straight-line basis
Furniture and equipment	- 20 % straight line basis
Computer equipment	- 33 % straight-line basis
Cooler	- 7 % straight-line basis
Leasehold improvements	- straight-line over lease term
Vehicle	- 50 % straight-line basis

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies (Continued)

Contributed Services

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

Contributions of food have been estimated at a fair value of \$1,863,885 (2016 - \$1,966,320) based on an average price per pound of \$2.50 (2016 - \$2.50) based on the Food Banks of Canada national valuation standard. In 2017, management estimates that 745,554 (2016 - 786,500) pounds of food were received and distributed. These amounts are included in revenue as a separate item with an offsetting amount in community food expense.

Fund Accounting

Revenues and expenses related to program delivery and administrative activities are reported in the General Fund.

The Capital Reserve Fund reports allocations from the General Fund that are internally restricted for the purpose of funding future capital repairs and replacements.

The Reserve Fund has been established as an internally restricted working capital reserve.

The Bequest Fund reports allocations from the General Fund of bequests received that are internally restricted for purposes to be specified at a future date.

Invested in Capital Assets reports the assets, liabilities, revenue and expenses related to the Organization's capital assets. Invested in Capital Assets represents amounts invested in land, building, equipment and other capital assets net of accumulated amortization less deferred contributions and debt directly related to capital assets.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements 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 reporting period. Actual results could differ from management's best estimate. The amount recorded for gifts in kind is based on management's best estimate. This estimate is subject to measurement uncertainty, and the effect on the gift in kind revenue and community food expense could be significant.

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2017

2. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 167,412	\$ -	\$ 167,412	\$ -
Buildings	699,855	310,209	699,855	282,072
Furniture and equipment	138,957	117,282	118,019	110,454
Computer equipment	106,136	90,706	89,807	89,632
Cooler	22,741	21,702	22,741	21,597
Leasehold improvements	600,879	10,017	41,887	-
Vehicle	36,995	36,995	36,995	36,995
	\$ 1,772,975	\$ 586,911	\$ 1,176,716	\$ 540,750
Net book value		\$ 1,186,064		\$ 635,966

3. Mortgage Payable

	2017	2016
Mortgage payable, interest at prime plus 1.75%, payable in monthly instalments of \$425 principal plus interest, secured by land and building, due September 2026	\$ 48,435	\$ 53,534
Less: Current portion	5,099	5,099
	\$ 43,336	\$ 48,435
2018	\$ 5,099	
2019	5,099	
2020	5,099	
2021	5,099	
2122	5,099	
Thereafter	22,940	
	\$ 48,435	

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2017

4. Deferred Revenue

Deferred revenue represents the unspent amount of externally restricted funds from donations, grants and subsidies.

	2017	2016
Balance , beginning of the year	\$ 457,448	\$ 309,487
Amounts received	280,465	325,669
Amounts recognized in revenue in the current year	(330,424)	(177,708)
Amounts transferred to deferred contributions related to capital assets	(63,911)	-
Balance , end of the year	\$ 343,578	\$ 457,448

Deferred revenue amounts recognized in the current year are included in donations - restricted, grants - City of Hamilton, grants - other and utility subsidy program revenue on the statement of operations.

5. Deferred Contributions Related to Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of restricted contributions received for the purchase of capital assets.

	2017	2016
Balance , beginning of year	\$ 112,927	\$ -
Contributions received during the year	445,533	115,887
Amounts transferred from deferred revenue	63,911	-
Amount amortized in current year	(12,030)	(2,960)
Balance , end of year	\$ 610,341	\$ 112,927

6. Invested in Capital Assets

Invested in Capital Assets is calculated as follows:

	2017	2016
Capital assets, at cost	\$ 1,772,975	\$ 1,176,716
Accumulated amortization	(586,911)	(540,750)
Mortgage payable	(48,435)	(53,534)
Deferred contributions related to capital assets	(610,341)	(112,927)
Invested in capital assets	\$ 527,288	\$ 469,505

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2017

7. Fund Transfers

During the year, the Board approved a transfer of \$12,000 from the General Fund to the Capital Reserve fund.

8. Commitments

The Corporation has leased premises under an operating lease at annual base rental as follows:

2018	\$	66,220
2019		71,237
2020		72,240
2021		72,240
2022		12,040
		<hr/>
	\$	<u>293,977</u>

9. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a counterparty defaults on their financial obligation. The Organization's financial instruments that are exposed to credit risk relate primarily to accounts receivable.

10. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.