

Neighbour to Neighbour Centre (Hamilton)
Financial Statements
For the year ended March 31, 2020

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Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 12



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Independent Auditor's Report

To the Directors of Neighbour to Neighbour Centre (Hamilton)

Qualified Opinion

We have audited the financial statements of Neighbour to Neighbour Centre (Hamilton) (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statement of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting as described in Note 1, Basis of Accounting.

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, our verification of these revenues 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 of revenue over expenses, and cash flows from operating activities for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019 and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting as described in Note 1, 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.

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 represent the underlying transactions and events in a manner that achieves 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
June 11, 2020

Neighbour to Neighbour Centre (Hamilton) Statement of Financial Position

March 31	2020	2019
Assets		
Current		
Cash	\$ 698,059	\$ 906,455
Accounts receivable	164,895	100,897
HST receivable	29,478	25,173
Prepaid expenses	17,024	23,266
	909,456	1,055,791
Capital assets (Note 2)	1,222,848	1,151,566
Restricted assets - cash	469,686	251,342
	\$ 2,601,990	\$ 2,458,699

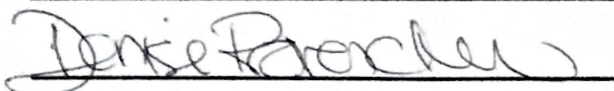
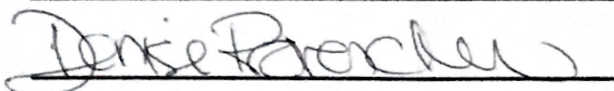
Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 101,267	\$ 115,533
Current portion of mortgage payable (Note 3)	5,099	5,099
Current portion of deferred revenue (Note 4)	306,274	202,921
	412,640	323,553
Mortgage payable (Note 3)	28,039	33,138
Deferred revenue (Note 4)	18,393	248,323
Deferred capital contributions (Note 5)	704,304	607,027
Deferred rent	11,453	21,270
	1,174,829	1,233,311

Net Assets

General Fund	166,082	168,413
Invested in Capital Assets	485,406	506,302
Capital Reserve Fund	58,724	58,724
Reserve Fund	400,000	250,000
Bequest Fund	316,949	241,949
	1,427,161	1,225,388
	\$ 2,601,990	\$ 2,458,699

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

2020

2019

	General Fund	Invested in Capital Assets (Note 6)	Capital Reserve Fund	Reserve Fund	Bequest Fund	Total	Total
Balance, beginning of year	\$ 168,413	\$ 506,302	\$ 58,724	\$ 250,000	\$ 241,949	\$ 1,225,388	\$ 946,746
Excess (deficiency) of revenue over expenses for the year	244,376	(42,603)	-	-	-	201,773	278,642
Fund transfers (Note 7)	(225,000)	-	-	150,000	75,000	-	-
Investment in capital assets	(21,707)	21,707	-	-	-	-	-
Balance, end of year	\$ 166,082	\$ 485,406	\$ 58,724	\$ 400,000	\$ 316,949	\$ 1,427,161	\$ 1,225,388

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	2020	2019
Revenue		
Bequests	\$ 75,000	\$ 208,000
Donations - unrestricted	540,591	438,589
Donations - restricted	400,617	381,305
Fundraising events	297,093	279,897
Gifts in kind	2,567,143	2,332,460
Grants - City of Hamilton	361,764	402,841
Grants - Federal	61,173	69,580
Grants - other	281,000	267,555
Interest and other income	18,037	10,588
Sale of books and cards	38,665	34,502
Utility subsidy program	41,974	40,048
	4,683,057	4,465,365
Expenses		
Administration	344,681	331,957
Building and grounds	107,968	103,681
Community food centre	637,584	579,293
Education	123,467	125,410
Emergency food	2,774,406	2,596,379
Family services	141,305	138,726
Marketing and development	248,681	206,086
Volunteer services	60,589	57,299
	4,438,681	4,138,831
Excess of revenue over expenses before other items	244,376	326,534
Other revenue (expenses)		
Amortization	(133,635)	(116,702)
Amortization of deferred capital contributions	91,032	68,810
	(42,603)	(47,892)
Excess of revenue over expenses for the year	\$ 201,773	\$ 278,642

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	2020	2019
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 201,773	\$ 278,642
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities		
Amortization	133,635	116,702
Amortization of deferred capital contributions	(91,032)	(68,810)
Changes in non-cash working capital balances		
Accounts receivable	(63,998)	(19,242)
HST receivable	(4,305)	(1,545)
Prepaid expenses	6,242	3,896
Accounts payable and accrued liabilities	(14,266)	48,827
Deferred revenue	(126,577)	102,037
Deferred rent	(9,817)	(8,815)
	<u>31,655</u>	<u>451,692</u>
Cash flows from investing activities		
Purchase of capital assets	(204,917)	(83,032)
Increase in restricted assets - cash	(218,344)	(14,277)
	<u>(423,261)</u>	<u>(97,309)</u>
Cash flows from financing activities		
Repayment of mortgage payable	(5,099)	(5,099)
Receipt of deferred capital contributions	188,309	61,607
	<u>183,210</u>	<u>56,508</u>
Increase (decrease) in cash during the year	(208,396)	410,891
Cash, beginning of year	906,455	495,564
Cash, end of year	\$ 698,059	\$ 906,455

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

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2020

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, utility subsidy program revenue and donations restricted for programs are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations, bequest 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 are 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.

Gifts in kind of contributed food is recognized as revenue when received.

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
Building Improvements	- 10 % 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 plus one renewal
Vehicle	- 20 - 50% straight-line basis

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2020

1. Significant Accounting Policies (Continued)

Contributed Goods and 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 an approximate fair value of \$2,559,700 (2019 - \$2,329,600), based on an average price per pound of \$2.60 (2019 - \$2.60) based on the Food Banks of Canada national valuation standard. In 2020, management estimates that approximately 984,500 (2019 - 896,000) pounds of food were received and distributed. These amounts are included in gift in kind revenue with an offsetting amount in emergency food expense.

Fund Accounting

Revenue 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 capital 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 emergency food expense could be significant.

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2020

2. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 167,412	\$ -	\$ 167,412	\$ -
Buildings	699,854	388,178	702,066	366,198
Building improvement	82,284	3,935	-	-
Furniture and equipment	169,903	139,331	151,485	130,310
Computer equipment	117,792	113,607	116,285	105,684
Cooler	107,140	21,910	22,741	21,910
Leasehold improvements	723,085	222,166	702,564	143,743
Vehicle	61,301	16,796	61,301	4,443
	\$ 2,128,771	\$ 905,923	\$ 1,923,854	\$ 772,288
Net book value		\$ 1,222,848		\$ 1,151,566

3. Mortgage Payable

	2020		2019	
Mortgage payable, interest at prime plus 1.75%, payable in monthly installments of \$425 principal plus interest, secured by land and building, due September 2026	\$ 33,138	\$ 38,237	\$ 33,138	\$ 38,237
Less: Current portion	5,099	5,099	5,099	5,099
	\$ 28,039	\$ 33,138	\$ 28,039	\$ 33,138

Principal repayments for the next five years and thereafter are as follows:

2021	\$ 5,099
2022	5,099
2023	5,099
2024	5,099
2025	5,099
Thereafter	7,643
	\$ 33,138

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2020

4. Deferred Revenue

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

	2020	2019
Balance , beginning of the year	\$ 451,244	\$ 349,207
Amounts received	271,754	371,133
Amounts recognized in revenue in the current year	(210,022)	(207,489)
Amounts transferred to deferred capital contributions	(188,309)	(61,607)
Balance , end of the year	\$ 324,667	\$ 451,244

Deferred revenue amounts recognized in the current year are included in donations - restricted, fundraising events, and grants - other on the statement of operations.

5. Deferred Capital Contributions

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

	2020	2019
Balance , beginning of year	\$ 607,027	\$ 614,230
Amounts transferred from deferred revenue	188,309	61,607
Amount amortized in current year	(91,032)	(68,810)
Balance , end of year	\$ 704,304	\$ 607,027

6. Invested in Capital Assets

Invested in Capital Assets is calculated as follows:

	2020	2019
Capital assets, at cost	\$ 2,128,771	\$ 1,923,854
Accumulated amortization	(905,923)	(772,288)
Mortgage payable	(33,138)	(38,237)
Deferred capital contributions	(704,304)	(607,027)
Invested in capital assets	\$ 485,406	\$ 506,302

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2020

7. Fund Transfers

During the year, the Board approved a transfer of \$75,000 (2019 - \$208,000) from the General Fund to the Bequest Fund and \$150,000 (2019 - \$Nil) from the General fund to the Reserve Fund.

8. Commitments

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

2021	\$	72,240
2022		12,040
		<hr/>
	\$	<u>84,280</u>

9. Financial Instrument Risks

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.

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. The Organization's exposure to this risk arises primarily from its mortgage payable. The Organization holds its mortgage payable with a variable interest rate, which involves risks of default on interest and principal and fair values changes due to, without limitation, such factors as interest rates and general economic conditions. This risk has not changed from the prior year.

10. COVID-19 and Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world. On March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses which resulted in the Organization suspending education and community counselling programs and community food center activities.

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2020

10. COVID-19 and Subsequent Event (Continued)

Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

Subsequent to year-end, the federal government through Community Food Centres Canada has committed to providing additional funding to the Organization in the amount of \$100,000 for anticipated decreases in operating revenues and increases in operating expenses as a result of COVID-19 in the subsequent period. At the date of approval of these financial statements, the amount, timing and eligibility criteria for any additional funding is not known. As such, an estimate of the financial effect of this funding is not practicable at this time.