



Independent Auditor's Report, continued

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 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.

Pettinelli Mastrolisis LLP

Chartered Professional Accountants
Licensed Public Accountants

Hamilton, Ontario


Neighbour to Neighbour Centre (Hamilton)

Statement of Financial Position


	March 31	
	2022	2021
Assets		
Current assets		
Cash	\$ 1,961,760	\$ 1,683,283
Accounts receivable	169,631	149,231
HST receivable	31,664	28,518
Prepaid expenses	35,642	35,946
	<u>2,198,697</u>	<u>1,896,978</u>
Restricted cash	472,747	471,331
Capital assets (Note 2)	<u>1,169,463</u>	<u>1,144,948</u>
	<u>\$ 3,840,907</u>	<u>\$ 3,513,257</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 3)	\$ 117,345	\$ 145,569
Current portion of mortgage payable (Note 4)	5,099	5,099
Current portion of deferred revenue (Note 5)	862,993	754,288
	<u>985,437</u>	<u>904,956</u>
Mortgage payable (Note 4)	17,841	22,940
Deferred revenue (Note 5)	18,393	18,393
Deferred capital contributions (Note 6)	667,840	628,287
Deferred rent	-	1,636
	<u>1,689,511</u>	<u>1,576,212</u>
Net Assets		
General Fund	187,040	172,750
Invested in Capital Assets (Note 7)	478,683	488,622
Capital Reserve Fund	758,724	558,724
Reserve Fund	400,000	400,000
Bequest Fund	326,949	316,949
	<u>2,151,396</u>	<u>1,937,045</u>
	<u>\$ 3,840,907</u>	<u>\$ 3,513,257</u>

See accompanying notes to the financial statements.

APPROVED BY THE BOARD:



Director



Director

Neighbour to Neighbour Centre (Hamilton)

Statement of Operations

	Year ended March 31	
	2022	2021
Revenues		
Gifts in kind	\$ 2,474,968	\$ 2,180,082
Donations - unrestricted	750,316	831,500
Donations - restricted	509,590	337,632
Grants - Municipal	331,297	353,301
Fundraising events	274,107	507,382
Grants - other	277,365	190,700
Utility subsidy program	49,033	20,630
Sale of books and cards	41,254	42,303
Grants - Federal	35,385	60,113
Interest and other income	12,376	20,069
Bequests	10,000	-
	<u>4,765,691</u>	<u>4,543,712</u>
Expenditures		
Emergency food	2,823,260	2,348,373
Community food centre	674,208	699,913
Administration	393,172	370,793
Marketing and development	270,309	258,368
Family services	152,230	126,895
Buildings and grounds	112,315	111,466
Volunteer services	61,350	55,694
Education	12,245	19,995
	<u>4,499,089</u>	<u>3,991,497</u>
Excess of revenues over expenses from operations	<u>266,602</u>	<u>552,215</u>
Other income (expense)		
Amortization of deferred capital contributions	110,447	96,582
Amortization	(162,698)	(138,913)
	<u>(52,251)</u>	<u>(42,331)</u>
Excess of revenues over expenses for the year	<u>\$ 214,351</u>	<u>\$ 509,884</u>

See accompanying notes to the financial statements.

Neighbour to Neighbour Centre (Hamilton)

Statement of Changes in Net Assets

						Year ended March 31	
	General Fund	Invested in Capital Assets	Capital Reserve Fund	Reserve Fund	Bequest Fund	2022	2021
Balance, beginning of the year	\$ 172,750	\$ 488,622	\$ 558,724	\$ 400,000	\$ 316,949	\$ 1,937,045	\$ 1,427,161
Excess (deficiency) of revenues over expenses for the year	266,602	(52,251)	-	-	-	214,351	509,884
Fund Transfers (Note 8)	(210,000)	-	200,000	-	10,000	-	-
Investment in capital assets	<u>(42,312)</u>	<u>42,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of the year	<u>\$ 187,040</u>	<u>\$ 478,683</u>	<u>\$ 758,724</u>	<u>\$ 400,000</u>	<u>\$ 326,949</u>	<u>\$ 2,151,396</u>	<u>\$ 1,937,045</u>

See accompanying notes to the financial statements.

Neighbour to Neighbour Centre (Hamilton)

Statement of Cash Flows

	Year ended March 31	
	2022	2021
Cash flows from (used in) operating activities		
Excess of revenues over expenses for the year	\$ 214,351	\$ 509,884
Items not involving cash		
Amortization	162,698	138,913
Amortization of deferred capital contributions	<u>(110,447)</u>	<u>(96,582)</u>
	<u>266,602</u>	<u>552,215</u>
Net change in non-cash working capital balances relating to operations		
(Increase) decrease in accounts receivable	(20,400)	15,664
(Increase) decrease in HST receivable	(3,146)	960
Decrease (increase) in prepaid expenses	304	(18,922)
(Decrease) increase in accounts payable and accrued liabilities	(28,224)	44,302
Increase in deferred revenue	108,705	448,014
Decrease in deferred rent	<u>(1,636)</u>	<u>(9,817)</u>
	<u>55,603</u>	<u>480,201</u>
	<u>322,205</u>	<u>1,032,416</u>
Cash flows from (used in) investing activity		
Purchase of capital assets	<u>(187,213)</u>	<u>(61,013)</u>
Cash flows used in financing activities		
Repayment of mortgage payable	(5,099)	(5,099)
Receipt of deferred capital contributions	<u>150,000</u>	<u>20,565</u>
	<u>144,901</u>	<u>15,466</u>
Net increase in cash during the year	279,893	986,869
Cash, beginning of the year	<u>2,154,614</u>	<u>1,167,745</u>
Cash, end of the year	<u>\$ 2,434,507</u>	<u>\$ 2,154,614</u>
Cash consists of:		
Cash	\$ 1,961,760	\$ 1,683,283
Restricted cash	<u>472,747</u>	<u>471,331</u>
	<u>\$ 2,434,507</u>	<u>\$ 2,154,614</u>

See accompanying notes to the financial statements.

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2022

Nature of operations

Neighbour to Neighbour Centre (Hamilton) (the "Organization") was founded in 1986 with the purpose to alleviate and prevent poverty by supporting neighbours at risk. The Organization 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.

1. Basis of accounting and significant accounting policies

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.

The Organization's significant accounting policies are as follows:

Cash

Cash includes cash on hand and held with financial institutions, net of outstanding cheques and deposits. Cash also includes cash equivalent investments with original maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk of change in their fair value.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of the contribution. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings	4%
Building improvements	10%
Furniture and equipment	20%
Computer equipment	33%
Cooler	7%
Vehicle	20%

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

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.

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2022

1. Basis of accounting and significant accounting policies, continued

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Contributions from donations, bequests and fundraising events revenue that are unrestricted are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions in the form of donations, grants, utility subsidies and other are recognized as revenue in the period in which the related expenses are incurred.

Externally restricted contributions for the purchase of property, equipment or other capital expenditures are initially deferred and amortized into revenue at a rate consistent with the amortization rate of the related capital asset.

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

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

Contributed goods and services

Volunteers contribute a significant amount of their time each year to the Organization. Due to the difficulty in determining the fair value, this contributed time and service is not recognized in the financial statements. Contributed goods and materials are only recognized when the asset is used in the normal course of the Organization's operations, would otherwise have been purchased and the fair value can be reasonably estimated.

Contributions of food have been estimated at an approximate fair value of \$2,437,407 (2021 - \$2,123,547), based on an average price per pound of \$2.60 (2021 - \$2.60) based on the Food Banks of Canada national valuation standard. In 2022, management estimates that approximately 937,464 (2021 - 816,749) pounds of food were received and distributed. These amounts are included in gifts in kind revenue with an offsetting amount in emergency food expense on the statement of operations.

Use of estimates

The preparation of financial statements in conformity with the basis of accounting 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 statement of financial position date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

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 gifts in kind revenue and emergency food expense reported on the statement of operations could be significant.

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2022

1. Basis of accounting and significant accounting policies, continued

Fund accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts are maintained in accordance with principals of fund accounting. The Organization's available resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. The assets, liabilities and net assets of the Organization are reported in self-balancing funds as follows:

General Fund

The General Fund accounts for the Organization's unrestricted resources and revenue and expenses related to program delivery and administrative activities.

Capital Reserve 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.

Reserve Fund

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

Bequest Fund

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

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

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Changes in fair value are recognized in the excess of revenues over expenses in the period incurred. The Organization has not elected to carry any such financial instrument at fair value.

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2022

1. Basis of accounting and significant accounting policies, continued

Financial instruments, continued

(ii) Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 excess of revenues over expenses.

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in excess of revenues over expenditures in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in excess of revenues over expenditures over the life of the instrument using the straight-line method.

2. Capital assets

			March 31	
	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Land	\$ 167,412	\$ -	\$ 167,412	\$ 167,412
Buildings	724,573	430,389	294,184	315,290
Building improvements	131,587	21,387	110,200	74,285
Computer equipment	174,060	138,769	35,291	32,465
Cooler	107,140	37,311	69,829	75,562
Furniture and equipment	283,027	171,447	111,580	20,195
Leasehold improvements	727,898	366,916	360,982	427,494
Vehicles	61,301	41,316	19,985	32,245
	<u>\$ 2,376,998</u>	<u>\$ 1,207,535</u>	<u>\$ 1,169,463</u>	<u>\$ 1,144,948</u>

3. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$22,711 (2021 - \$23,485), which includes amounts payable for payroll related taxes.

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2022

4. Mortgage payable

	March 31	
	2022	2021
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	\$ 22,940	\$ 28,039
Less: Current portion	<u>(5,099)</u>	<u>(5,099)</u>
	<u>\$ 17,841</u>	<u>\$ 22,940</u>

Estimated principal repayments are as follows:

2023	\$ 5,099
2024	5,099
2025	5,099
2026	5,099
2027	<u>2,544</u>
	<u>\$ 22,940</u>

5. Deferred revenue

Deferred revenue relates to expenses of future periods and is comprised of unspent externally restricted donations, grants and subsidies. The change in the deferred revenue balance is as follows:

	March 31	
	2022	2021
Balance, beginning of the year	\$ 773,504	\$ 324,667
Add: Received donations, grants and subsidies	398,499	581,780
Less: Amounts recognized as revenue during the year	(290,617)	(113,200)
Less: Amounts transferred to deferred capital contributions (Note 6)	<u>-</u>	<u>(19,743)</u>
Balance, end of the year	<u>\$ 881,386</u>	<u>\$ 773,504</u>

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2022

6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for capital expenditures. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The change in the balance of deferred capital contributions is as follows:

	March 31	
	2022	2021
Balance, beginning of the year	\$ 628,287	\$ 704,304
Add: Capital contributions received during the year	150,000	-
Add: Amounts transferred from deferred revenue (Note 5)	-	20,565
Less: Amortization of deferred capital contributions	<u>(110,447)</u>	<u>(96,582)</u>
Balance, end of the year	<u>\$ 667,840</u>	<u>\$ 628,287</u>

7. Invested in Capital Assets

Invested in Capital Assets is determined as follows:

	March 31	
	2022	2021
Capital assets	\$ 1,169,463	\$ 1,144,948
Mortgage payable	(22,940)	(28,039)
Amounts financed by deferred capital contributions	<u>(667,840)</u>	<u>(628,287)</u>
	<u>\$ 478,683</u>	<u>\$ 488,622</u>

8. Fund transfers

During the year, the Board approved transfers of \$10,000 from the General Fund to the Bequest Fund and \$200,000 from the General Fund to the Capital Reserve Fund (2021 - \$500,000 from the General Fund to the Capital Reserve Fund).

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2022

9. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization's financial instruments that are primarily exposed to credit risk includes accounts receivable. There has been no change to the risk exposure from 2021.

(b) Interest rate risk

Interest rate risk is the risk that the Organization has exposure to the fair value or future cash flows of a financial instrument because of fluctuations in market interest rates. The Organization's exposure to this risk arises primarily from the variable interest rate associated with its mortgage payable. Changes to interest rates pose the risk of default on interest and principal payments and impacts to the fair value of the underlying financial instrument. This risk has not changed from the prior year.

10. Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus ("COVID-19"), a pandemic resulting in economic uncertainties potentially affecting the Organization's cash flows, financial position and results of operations. At this time, it is unknown the extent of future impacts that the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus and duration of the outbreak, forced closures or disruptions and quarantine/isolation measures that are currently, or may be put in place by government authorities to fight the virus. The Organization continues to assess the impact COVID-19 will have on its activities in the future, however, the extent of the effect of the COVID-19 pandemic remains uncertain.

Certain programs offered by the Organization were delayed or postponed as a result of the COVID-19 pandemic. Contributions intended for these programs that have not yet been utilized are carried as deferred revenue on the statement of financial position. As a result of the delayed and postponed program offerings, the amount of deferred revenue carried as at the year end date is larger than it has been historically. The Organization intends to utilize these funds in the coming fiscal years as full program delivery resumes.