

# **Neighbour to Neighbour Centre (Hamilton)**

## **Financial Statements**

**March 31, 2024**



June 27, 2024

## Independent Auditor's Report

To the Board of Directors of Neighbour to Neighbour Centre (Hamilton)

### **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, 2024, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1, Basis of Accounting.

### **Basis for Opinion**

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 opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting 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.

## 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.

A stylized, handwritten-style signature in blue ink that reads 'Pettinelli Martusculis LLP'.

**Chartered Professional Accountants  
Licensed Public Accountants**

**Hamilton, Ontario**

# Neighbour to Neighbour Centre (Hamilton)

## Statement of Financial Position

	March 31	
	2024	2023
<b>Assets</b>		
Current assets		
Cash	\$ 963,546	\$ 2,013,830
Short-term investment (Note 2)	1,124,087	-
Accounts receivable	122,816	178,038
HST receivable	31,099	34,091
Prepaid expenses	29,695	29,254
	<u>2,271,243</u>	<u>2,255,213</u>
Restricted cash	484,308	475,285
Capital assets (Note 3)	<u>872,431</u>	<u>1,035,805</u>
	<u>\$ 3,627,982</u>	<u>\$ 3,766,303</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 77,787	\$ 176,718
Current portion of mortgage payable (Note 5)	-	5,099
Current portion of deferred revenue (Note 6)	<u>587,767</u>	<u>718,920</u>
	665,554	900,737
Mortgage payable (Note 5)	-	12,742
Deferred revenue (Note 6)	24,434	42,827
Deferred capital contributions (Note 7)	<u>551,843</u>	<u>540,386</u>
	<u>1,241,831</u>	<u>1,496,692</u>
<b>Fund balances</b>		
General Fund	186,002	181,360
Invested in Capital Assets (Note 8)	455,588	477,578
Capital Reserve Fund	908,724	833,724
Reserve fund	400,000	400,000
Bequest Fund	<u>435,837</u>	<u>376,949</u>
	<u>2,386,151</u>	<u>2,269,611</u>
	<u>\$ 3,627,982</u>	<u>\$ 3,766,303</u>

See accompanying notes to the financial statements.

### APPROVED BY THE BOARD:

Stephanie Johnston-Robertson  
Stephanie Johnston-Robertson (Jul 31, 2024 12:17 EDT) **Director**

Joti V. Labh  
Joti V. Labh (Aug 5, 2024 11:42 GMT+9) **Director**

# Neighbour to Neighbour Centre (Hamilton)

## Statement of Operations

	Year ended March 31	
	2024	2023
Revenues		
Gifts in Kind (Note 10)	\$ 3,714,061	\$ 3,181,271
Donations - unrestricted	929,499	934,342
Donations - restricted	486,494	514,165
Fundraising events	372,223	356,840
Grants - Municipal	323,817	221,433
Grants - other	289,950	292,355
Grants - Federal	113,629	43,041
Sale of books and cards	64,628	61,381
Utility subsidy programs	59,973	54,093
Bequests	58,888	50,000
Interest and other income (Note 2)	52,422	19,052
Grants - Provincial	-	15,620
	<u>6,465,584</u>	<u>5,743,593</u>
Expenditures		
Emergency food (Note 10)	4,109,218	3,518,369
Community food centre	724,904	704,689
Administration	502,038	425,253
Marketing and development	406,991	437,177
Education	185,632	124,858
Family services	176,364	173,344
Buildings and grounds	117,938	127,001
Volunteer services	79,658	63,319
	<u>6,302,743</u>	<u>5,574,010</u>
Excess of revenues over expenditures from operations	<u>162,841</u>	<u>169,583</u>
Other income (expense)		
Amortization of deferred capital contributions	123,543	127,454
Amortization	<u>(169,844)</u>	<u>(178,822)</u>
	<u>(46,301)</u>	<u>(51,368)</u>
Excess of revenues over expenses for the year	<u>\$ 116,540</u>	<u>\$ 118,215</u>

See accompanying notes to the financial statements.

# Neighbour to Neighbour Centre (Hamilton)

## Statement of Changes in Net Assets

### For the year ended March 31, 2024

	General Fund	Invested in Capital Assets	Capital Reserve Fund	Reserve Fund	Bequest Fund	Total
Balance at beginning of the year	\$ 181,360	\$ 477,578	\$ 833,724	\$ 400,000	\$ 376,949	\$ 2,269,611
Excess (deficiency) of revenues over expenditures	162,841	(46,301)	-	-	-	116,540
Fund transfers (Note 9)	(133,888)	-	75,000	-	58,888	-
Investment in capital assets (Note 8)	(24,311)	24,311	-	-	-	-
Balance at end of the year	\$ 186,002	\$ 455,588	\$ 908,724	\$ 400,000	\$ 435,837	\$ 2,386,151

### For the year ended March 31, 2023

	General Fund	Invested in Capital Assets	Capital Reserve Fund	Reserve Fund	Bequest Fund	Total
Balance at beginning of the year	\$ 187,040	\$ 478,683	\$ 758,724	\$ 400,000	\$ 326,949	\$ 2,151,396
Excess (deficiency) of revenues over expenditures	169,583	(51,368)	-	-	-	118,215
Fund transfers (Note 9)	(125,000)	-	75,000	-	50,000	-
Investment in capital assets (Note 8)	(50,263)	50,263	-	-	-	-
Balance at end of the year	\$ 181,360	\$ 477,578	\$ 833,724	\$ 400,000	\$ 376,949	\$ 2,269,611

See accompanying notes to the financial statements.

# Neighbour to Neighbour Centre (Hamilton)

## Statement of Cash Flows

	Year ended March 31	
	2024	2023
Cash flows from (used in) operating activities		
Excess of revenues over expenses for the year	\$ 116,540	\$ 118,215
Items not involving cash		
Amortization	169,844	178,822
Amortization of deferred capital contributions	(123,543)	(127,454)
Accrued interest on short-term investment	(24,087)	-
	<u>138,754</u>	<u>169,583</u>
Net change in non-cash working capital balances relating to operations		
Decrease (increase) in accounts receivable	55,222	(8,407)
Decrease (increase) in HST receivable	2,992	(2,427)
(Increase) decrease in prepaid expenses	(441)	6,388
(Decrease) increase in accounts payable and accrued liabilities	(98,931)	59,373
Decrease in deferred revenue	(149,546)	(119,639)
	<u>(190,704)</u>	<u>(64,712)</u>
	<u>(51,950)</u>	<u>104,871</u>
Cash flows from (used in) investing activities		
Purchase of short-term investments	(1,100,000)	-
Purchase of capital assets	(6,470)	(45,164)
	<u>(1,106,470)</u>	<u>(45,164)</u>
Cash flows used in financing activities		
Repayment of mortgage payable	(17,841)	(5,099)
Receipt of deferred capital contributions	135,000	-
	<u>117,159</u>	<u>(5,099)</u>
Net (decrease) increase in cash during the year	(1,041,261)	54,608
Cash at beginning of the year	<u>2,489,115</u>	<u>2,434,507</u>
Cash at end of the year	<u>\$ 1,447,854</u>	<u>\$ 2,489,115</u>
Cash consists of:		
Cash	\$ 963,546	\$ 2,013,830
Restricted cash	<u>484,308</u>	<u>475,285</u>
	<u>\$ 1,447,854</u>	<u>\$ 2,489,115</u>

See accompanying notes to the financial statements.

# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

**March 31, 2024**

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### 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% Straight-line
Building improvements	10% Straight-line
Furniture and equipment	20% Straight-line
Cooler	7% Straight-line
Computer equipment	33% Straight-line
Vehicle	20% Straight-line

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

Expenditures for repairs and maintenance are charged to excess of revenues over expenditures as incurred.

# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

**March 31, 2024**

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### **1. Basis of accounting and significant accounting policies, continued**

#### **Impairment of capital assets**

Capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the capital assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

#### **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.

# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

**March 31, 2024**

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### **1. Basis of accounting and significant accounting policies, continued**

#### **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. Significant items subject to estimates and assumptions include the valuation of gifts in kind and useful lives of capital assets. Actual results could differ from those estimates.

The amount recorded for gifts in kind is based on management's best estimate and notional valuation reports. 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.

#### **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.

# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

**March 31, 2024**

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### **1. Basis of accounting and significant accounting policies, continued**

#### **Financial instruments**

##### **(i) Measurement of financial instruments**

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated and exchanged in related party transactions, except for those that involve parties whose sole relationship with the Organization is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of a financial asset or liability in a related party transaction that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, its cost is determined using the consideration transferred or received by the Organization in the transaction.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures in the period incurred. The Organization has not elected to carry any financial instruments at fair value.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and mortgage payable.

##### **(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 expenditures. 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 expenditures.

##### **(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.

# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

**March 31, 2024**

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### 2. Short-term investment

The short-term investment consists of one (1) guaranteed investment certificate (GIC) with an investment cost of \$1,100,000. The GIC has an effective interest rate of 5.85% and matures November 15, 2024. Accrued interest associated with the GIC for the year totaled \$24,087 and has been included in interest and other income on the statement of operations.

### 3. Capital assets

	Cost	Accumulated Amortization	March 31	
			2024 Net Book Value	2023 Net Book Value
Land	\$ 167,412	\$ -	\$ 167,412	\$ 167,412
Buildings	724,573	476,060	248,513	270,607
Leasehold improvements	725,008	514,117	210,891	284,600
Building improvements	157,641	51,110	106,531	117,016
Furniture and equipment	201,485	131,841	69,644	99,483
Cooler	107,140	48,778	58,362	64,095
Computer equipment	181,808	173,316	8,492	21,542
Vehicle	64,996	62,410	2,586	11,050
	<u>\$ 2,330,063</u>	<u>\$ 1,457,632</u>	<u>\$ 872,431</u>	<u>\$ 1,035,805</u>

### 4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$6,687 (2023 - \$47,129), which includes amounts payable for payroll related taxes.

### 5. Mortgage payable

The mortgage payable bearing interest at prime plus 1.75% and payable in monthly instalments of \$425 principal plus interest was repaid during the year.

# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

**March 31, 2024**

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### 6. 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:

	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Balance at beginning of the year	\$ 761,747	\$ 881,386
Add: Received donations, grants and subsidies	96,267	281,154
Less: Amounts recognized as revenue during the year	<u>(245,813)</u>	<u>(400,793)</u>
Balance at end of the year	<u>\$ 612,201</u>	<u>\$ 761,747</u>

### 7. 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:

	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Balance at beginning of the year	\$ 540,386	\$ 667,840
Add: Capital contributions received during the year	135,000	-
Less: Amortization of deferred capital contributions	<u>(123,543)</u>	<u>(127,454)</u>
Balance at end of the year	<u>\$ 551,843</u>	<u>\$ 540,386</u>

The balance of deferred capital contributions is comprised of the following:

	<b>2024</b>	<b>2023</b>
Unamortized capital contributions used to purchase capital assets	\$ 416,843	\$ 540,386
Unspent deferred capital contributions	<u>135,000</u>	<u>-</u>
	<u>\$ 551,843</u>	<u>\$ 540,386</u>

# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

**March 31, 2024**

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### 8. Invested in Capital Assets

(a) Invested in Capital Assets is determined as follows:

	<b>March 31</b>	
	<b>2024</b>	<b>2023</b>
Capital assets, net of accumulated amortization	\$ 872,431	\$ 1,035,805
Unspent deferred capital contributions	135,000	-
Amounts financed by mortgage payable	-	(17,841)
Amounts financed by deferred capital contributions	<u>(551,843)</u>	<u>(540,386)</u>
Invested in Capital Assets at end of the year	<u>\$ 455,588</u>	<u>\$ 477,578</u>

(b) Change in net assets Invested in Capital Assets is determined as follows:

	<b>2024</b>	<b>2023</b>
Amortization of deferred capital contributions	\$ 123,543	\$ 127,454
Amortization	<u>(169,844)</u>	<u>(178,822)</u>
Excess (deficiency) of revenues over expenditures	<u>(46,301)</u>	<u>(51,368)</u>
Purchase of capital assets internally financed	6,470	45,164
Repayment of mortgage payable	<u>17,841</u>	<u>5,099</u>
Interfund transfers and other changes	<u>24,311</u>	<u>50,263</u>
Change in net assets Invested in Capital Assets	<u>\$ (21,990)</u>	<u>\$ (1,105)</u>

### 9. Fund transfers

During the year, the Board approved transfers of \$58,888 (2023 - \$50,000) from the General Fund to the Bequest Fund and \$75,000 (2023 - \$75,000) from the General Fund to the Capital Reserve Fund.

### 10. Contributed food

Contributions of food have been estimated at an approximate fair value of \$3,645,488 (2023 - \$3,138,674), based on an average price per pound of \$3.52 (2023 - \$3.21) based on the Food Banks of Canada national valuation standard most recently updated in June 2023. In 2024, management estimates that approximately 1,035,650 (2023 - 977,780) 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.

# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

**March 31, 2024**

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### **11. 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 2023.

#### **(b) Interest rate risk**

Interest rate risk is the risk that the Organization has exposure to changes in the interest rates which could effect its future cash flows or the fair values of its financial instruments. The Organization is exposed to interest rate risk on its fixed interest rate investments. The Organization's primary objective is to ensure the security of principal amounts invested and provide a high degree of liquidity, while achieving a satisfactory return. The Organization does not deem its risk associated with interest rates to be significant.