Neighbour to Neighbour Centre (Hamilton)
Financial Statements
For the year ended March 31, 2015

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Contents

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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, 2015, 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.

Management's Responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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 and fair presentation 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 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 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 year ended March 31, 2015, current assets as at March 31, 2015 and net assets as at April 1, 2014 and March 31, 2015. Our audit opinion on the financial statements for the year ended March 31, 2014 was modified accordingly because of the possible effects of a similar 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 present fairly, in all material respects, the financial position of Neighbour to Neighbour Centre (Hamilton) as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO CANADA LLP
Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
June 8, 2015

Neighbour to Neighbour Centre (Hamilton)
Statement of Financial Position

March 31		2015		2014
Assets				
Current				
Cash	$	394,389	$	223,957
Accounts receivable		75,210		78,990
GST/HST receivable		14,198		27,914
Prepaid expenses		13,947		19,517
		497,744		350,378
Capital assets (Note 2)		540,587		578,396
Restricted assets - cash		197,582		192,124
	$	1,235,913	$	1,120,898
Liabilities and Net Assets				
Current				
Accounts payable and accrued liabilities	$	53,289	$	41,154
Current portion of mortgage payable (Note 3)		5,099		5,099
Deferred revenue (Note 4)		309,487		252,833
		367,875		299,086
Mortgage payable (Note 3)		53,534		58,633
		421,409		357,719
Net Assets				
General Fund		56,477		56,391
Invested in Capital Assets		481,954		514,664
Capital Reserve Fund		69,124		57,124
Reserve Fund		185,000		135,000
Bequest Fund		21,949		-
		814,504		763,179
	$	1,235,913	$	1,120,898

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 **2015** 2014

	General Fund	Invested in Capital Assets (Note 6)	Capital Reserve Fund	Reserve Fund	Bequest Fund	Total 2015	Total 2014
Balance, beginning of year	$ 56,391	$ 514,664	$ 57,124	$ 135,000	$ -	$ 763,179	$ 706,086
Excess (deficiency) of revenue over expenses for the year	89,134	(37,809)	-	-	-	51,325	57,093
Fund transfers (Note 5)	(83,949)	-	12,000	50,000	21,949	-	-
Investment in capital assets	(5,099)	5,099	-	-	-	-	-
Balance, end of year	$ 56,477	$ 481,954	$ 69,124	$ 185,000	$ 21,949	$ 814,504	$ 763,179

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	2015	2014
Revenue		
Bequests	$ **21,949**	$ -
Donations - unrestricted	**444,059**	366,116
Donations - restricted	**133,172**	145,788
Fundraising events	**251,610**	220,832
Grants - City of Hamilton	**199,765**	226,315
Grants - Federal	**24,172**	50,168
Grants - other	**146,354**	136,157
Gifts in kind (Note 7)	**2,008,154**	1,956,752
Interest and other income	**1,997**	1,925
Sale of books and cards	**26,859**	28,966
Utility subsidy program	**159,640**	142,615
	3,417,731	3,275,634
Expenses		
Administration	**243,133**	235,660
Building and grounds	**98,571**	94,722
Community food	**2,363,750**	2,267,138
Education	**78,366**	70,151
Family services and building better futures	**264,647**	251,750
Marketing and development	**228,457**	217,254
Volunteer services	**51,673**	41,801
	3,328,597	3,178,476
Excess of revenue over expenses before other expenses	**89,134**	97,158
Other expense		
Amortization	**37,809**	40,065
Excess of revenue over expenses for the year	$ **51,325**	$ 57,093

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		2015		2014
Cash flows from operating activities				
Excess of revenue over expenses for the year	$	**51,325**	$	57,093
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities				
Amortization		**37,809**		40,065
Changes in non-cash working capital balances				
Accounts receivable		**3,780**		(57,768)
GST/HST receivable		**13,716**		(12,912)
Prepaid expenses		**5,570**		(6,444)
Accounts payable and accrued liabilities		**12,135**		(8,739)
Deferred revenue		**56,654**		30,842
		180,989		42,137
Cash flows from investing activities				
Purchase of capital assets		**-**		(26,672)
Increase in restricted assets - cash		**(5,458)**		(62,000)
		(5,458)		(88,672)
Cash flows from financing activity				
Repayment of mortgage payable		**(5,099)**		(5,099)
Increase (decrease) in cash during the year		**170,432**		(51,634)
Cash, beginning of year		**223,957**		275,591
Cash, end of year	$	**394,389**	$	223,957

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

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 Presentation

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

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 reasonable 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 expenses 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
Vehicle	- 20 % straight-line basis

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 $2,002,500 (2014 - $1,956,752). These amounts are included in revenue as a separate item with an offsetting amount in community food expense.

1. Significant Accounting Policies (Continued)

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 in conformity with Canadian accounting standards for not-for-profit organizations 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 estimates. This estimate is subject to measurement uncertainty, and the effect on the gift in kind revenue and community food expense for the current year could be significant.

2. Capital Assets

	2015		2014	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 167,412**	**$ -**	$ 167,412	$ -
Buildings	**603,455**	**254,222**	603,455	230,084
Furniture and equipment	**118,019**	**101,182**	118,019	95,352
Computer equipment	**89,807**	**83,949**	89,807	77,212
Cooler	**22,741**	**21,494**	22,741	21,390
Vehicle	**36,995**	**36,995**	36,995	35,995
	$ 1,038,429	**$ 497,842**	$ 1,038,429	$ 460,033
Net book value		**$ 540,587**		$ 578,396

3. Mortgage Payable

	2015	2014
Mortgage payable, interest at prime plus 1.75%, payable in monthly installments of $425 principal plus interest, secured by land and building, due September 2017	**$ 58,633**	$ 63,732
Less: Current portion	**5,099**	5,099
	$ 53,534	$ 58,633

Principal repayments for the next three years are as follows:

2016	$ 5,099
2017	5,099
2018	48,435
	$ 58,633

4. Deferred Revenue

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

		2015		2014
Balance, beginning of the year	$	**252,833**	$	221,991
Amounts received		**343,790**		240,384
Amounts recognized in revenue in the current year		**(287,136)**		(209,542)
Balance, end of the year	$	**309,487**	$	252,833

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

5. Fund Transfers

The Board approved a transfer of $12,000 from the General Fund to the Capital Reserve Fund, $50,000 from the General Fund to the Reserve Fund and $21,949 from the General Fund to the Bequest Fund.

6. Invested in Capital Assets

Invested in Capital Assets is calculated as follows:

		2015		2014
Capital assets, at cost	$	**1,038,429**	$	1,038,429
Accumulated amortization		**(497,842)**		(460,033)
Mortgage payable		**(58,633)**		(63,732)
Invested in capital assets	$	**481,954**	$	514,664

7. Gifts in Kind

Since donated food is distributed to other organizations and people in need, the inventory has no net realizable value. Therefore, in accordance with accounting standards for not-for-profit organizations, inventory has not been recorded as an asset in the statements of the Organization.

The food is valued at an average price per pound of $2.50 (2014 - $2.50) based on the Food Banks Canada national valuation standard. In 2015, management estimates that approximately 801,000 (2014 - 782,701) pounds of food were received and distributed.

March 31, 2015

8. Financial Instrument Risks

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 is exposed to interest rate risk through its mortgage payable. The Organization holds a mortgage with a variable interest rate which involves risks of default on interest and principal and price changes due to, without limitation, such factors and interest rates and general economic conditions. This risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on a due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises as the Organization may not have sufficient funds available to pay its accounts payable and accrued liabilities and mortgage payable. This risk has not changed from the prior year.