

**Neighbour to Neighbour Centre (Hamilton)**  
**Financial Statements**  
**For the years ended March 31, 2016 and 2015**

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**Contents**

<b>Independent Auditor's Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Changes in Net Assets	4
Statements of Operations	5
Statements of Cash Flows	6
Notes to Financial Statements	7



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## Independent Auditor's Report

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### 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 statements of financial position as at March 31, 2016 and 2015, the statements of changes in net assets, operations and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 audits 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, 2016 and 2015, current assets as at March 31, 2016 and 2015 and net assets as at April 1 and March 31 for both the 2016 and 2015 years.

#### 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 years ended March 31, 2016 and 2015 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 2, 2016

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

March 31	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 432,901	\$ 394,389
Accounts receivable	100,590	75,210
HST receivable	44,404	14,198
Prepaid expenses	36,555	13,947
	614,450	497,744
<b>Capital assets (Note 2)</b>	<b>635,966</b>	<b>540,587</b>
<b>Restricted assets - cash</b>	<b>209,739</b>	<b>197,582</b>
	<b>\$ 1,460,155</b>	<b>\$ 1,235,913</b>

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 25,538	\$ 53,289
Current portion of mortgage payable (Note 3)	5,099	5,099
Deferred revenue (Note 4)	457,448	309,487
	488,085	367,875
<b>Mortgage payable (Note 3)</b>	<b>48,435</b>	<b>53,534</b>
<b>Deferred contributions related to capital assets (Note 5)</b>	<b>112,927</b>	<b>-</b>
	<b>649,447</b>	<b>421,409</b>

**Net Assets**

<b>General Fund</b>	85,530	56,477
<b>Invested in Capital Assets</b>	469,505	481,954
<b>Capital Reserve Fund</b>	46,724	69,124
<b>Reserve Fund</b>	185,000	185,000
<b>Bequest Fund</b>	23,949	21,949
	810,708	814,504
	<b>\$ 1,460,155</b>	<b>\$ 1,235,913</b>

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

**Neighbour to Neighbour Centre (Hamilton)  
Statements of Changes in Net Assets**

**For the years ended March 31**

**2016                      2015**

	General Fund	Invested in Capital Assets (Note 7)	Capital Reserve Fund	Reserve Fund	Bequest Fund	Total	Total
<b>Balance, beginning of year</b>	<b>\$ 56,477</b>	<b>\$ 481,954</b>	<b>\$ 69,124</b>	<b>\$ 185,000</b>	<b>\$ 21,949</b>	<b>\$ 814,504</b>	<b>\$ 763,179</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>36,152</b>	<b>(39,948)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,796)</b>	<b>51,325</b>
<b>Fund transfers (Note 6)</b>	<b>(2,000)</b>	<b>22,400</b>	<b>(22,400)</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>-</b>
<b>Investment in capital assets</b>	<b>(5,099)</b>	<b>5,099</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance, end of year</b>	<b>\$ 85,530</b>	<b>\$ 469,505</b>	<b>\$ 46,724</b>	<b>\$ 185,000</b>	<b>\$ 23,949</b>	<b>\$ 810,708</b>	<b>\$ 814,504</b>

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

## Neighbour to Neighbour Centre (Hamilton) Statements of Operations

For the years ended March 31	2016	2015
<b>Revenue</b>		
Bequests	\$ 2,000	\$ 21,949
Donations - unrestricted	420,337	444,059
Donations - restricted	144,130	133,172
Fundraising events	240,662	251,610
Grants - City of Hamilton	237,611	199,765
Grants - Federal	20,987	24,172
Grants - other	108,971	146,354
Gifts in kind	1,969,140	2,008,154
Interest and other income	100	1,997
Sale of books and cards	27,449	26,859
Utility subsidy program	114,713	159,640
	<b>3,286,100</b>	<b>3,417,731</b>
<b>Expenses</b>		
Administration	240,664	243,133
Building and grounds	80,813	98,571
Community food	2,294,270	2,363,750
Education	92,047	78,366
Family services and building better futures	191,680	264,647
Marketing and development	299,797	228,457
Volunteer services	50,677	51,673
	<b>3,249,948</b>	<b>3,328,597</b>
<b>Excess of revenue over expenses before other</b>	<b>36,152</b>	<b>89,134</b>
<b>Other revenue (expenses)</b>		
Amortization	(42,908)	(37,809)
Amortization of deferred contributions related to capital assets	2,960	-
	<b>(39,948)</b>	<b>(37,809)</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ (3,796)</b>	<b>\$ 51,325</b>

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

## Neighbour to Neighbour Centre (Hamilton) Statements of Cash Flows

For the years ended March 31	2016	2015
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	\$ (3,796)	\$ 51,325
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by operating activities		
Amortization	42,908	37,809
Amortization of deferred contributions related to capital assets	(2,960)	-
Changes in non-cash working capital balances		
Accounts receivable	(25,380)	3,780
HST receivable	(30,206)	13,716
Prepaid expenses	(22,608)	5,570
Accounts payable and accrued liabilities	(27,751)	12,135
Deferred revenue	147,961	56,654
	<u>78,168</u>	<u>180,989</u>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(138,287)	-
Increase in restricted assets - cash	(12,157)	(5,458)
Deferred contributions related to capital assets	115,887	-
	<u>(34,557)</u>	<u>(5,458)</u>
<b>Cash flows from financing activity</b>		
Repayment of mortgage payable	(5,099)	(5,099)
<b>Increase in cash during the year</b>	<b>38,512</b>	<b>170,432</b>
<b>Cash, beginning of year</b>	<b>394,389</b>	<b>223,957</b>
<b>Cash, end of year</b>	<b>\$ 432,901</b>	<b>\$ 394,389</b>

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

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# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

March 31, 2016 and 2015

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### 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 statements of financial position as required in Section 3032, Inventories held by not-for-profit organizations. Instead food inventory has been expensed as received.

#### 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



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# Neighbour to Neighbour Centre (Hamilton)

## Notes to Financial Statements

**March 31, 2016 and 2015**

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### **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 \$1,966,320 (2015 - \$2,002,500) based on an average price per pound of \$2.50 (2015 - \$2.50) based on the Food Banks of Canada national valuation standard. In 2016, management estimates that 786,500 (2015 - 801,000) 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 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 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, 2016 and 2015

### 2. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 167,412	\$ -	\$ 167,412	\$ -
Buildings	699,855	(282,072)	603,455	(254,222)
Furniture and equipment	118,019	(110,454)	118,019	(101,182)
Computer equipment	89,807	(89,632)	89,807	(83,949)
Leasehold improvements	41,887	-	-	-
Cooler	22,741	(21,597)	22,741	(21,494)
Vehicle	36,995	(36,995)	36,995	(36,995)
	<b>\$ 1,176,716</b>	<b>\$ (540,750)</b>	<b>\$ 1,038,429</b>	<b>\$ (497,842)</b>
Net book value		<b>\$ 635,966</b>		<b>\$ 540,587</b>

The leasehold improvements are under construction and will be subject to amortization when construction is completed and the asset is available for use.

### 3. Mortgage Payable

	2016	2015
Mortgage payable, interest at prime plus 1.75%, payable in monthly instalments of \$425 principal plus interest, secured by land and building, due September 2017	\$ 53,534	\$ 58,633
Less: Current portion	5,099	5,099
	<b>\$ 48,435</b>	<b>\$ 53,534</b>

Principal repayments for the next two years are as follows:

2017	\$ 5,099
2018	48,435
	<b>\$ 53,534</b>

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## Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

**March 31, 2016 and 2015**

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#### 4. Deferred Revenue

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

	2016	2015
<b>Balance</b> , beginning of the year	\$ 309,487	\$ 252,833
Amounts received	325,669	343,790
Amounts recognized in revenue in the current year	(177,708)	(287,136)
<b>Balance</b> , end of the year	\$ 457,448	\$ 309,487

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.

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#### 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.

	2016	2015
<b>Balance</b> , beginning of year	\$ -	\$ -
Contributions received during the year	115,887	-
Amount amortized in current year	(2,960)	-
<b>Balance</b> , end of year	\$ 112,927	\$ -

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#### 6. Fund Transfers

In 2016, the Board approved the use of \$22,400 from the Capital Reserve Fund for the purchase of capital assets during the year and a transfer of \$2,000 from the General Fund to the Bequest Fund.

In 2015, 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.

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## Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

**March 31, 2016 and 2015**

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### 7. Invested in Capital Assets

Invested in Capital Assets is calculated as follows:

	2016	2015
Capital assets, at cost	\$ 1,176,716	\$ 1,038,429
Accumulated amortization	(540,750)	(497,842)
Mortgage payable	(53,534)	(58,633)
Deferred contributions related to capital assets	(112,927)	-
Invested in capital assets	\$ 469,505	\$ 481,954

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### 8. Commitments

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

2017	-		\$	55,183
2018	-			66,220
2019	-			71,237
2020	-			72,240
2021	-			72,240
Thereafter	-			12,040
			\$	349,160