

Neighbour to Neighbour Centre (Hamilton)
Financial Statements
For the year ended March 31, 2018

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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, 2018, 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. 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 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 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 audit 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, 2018 and 2017, current assets as at March 31, 2018 and 2017 and net assets as at March 31 and April 1 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this 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 of Neighbour to Neighbour Centre (Hamilton) for the year ended March 31, 2018 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.

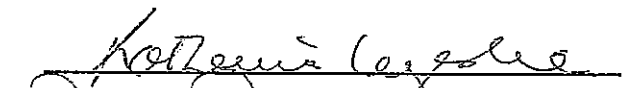
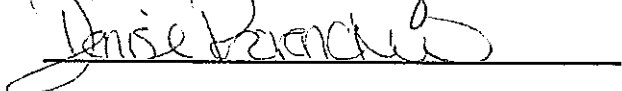
BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
June 7, 2018

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

March 31	2018	2017
Assets		
Current		
Cash	\$ 495,564	\$ 332,728
Accounts receivable	81,655	143,588
HST receivable	23,628	72,195
Prepaid expenses	27,162	24,982
	628,009	573,493
Capital assets (Note 2)	1,185,236	1,186,064
Restricted assets - cash	237,065	221,739
	\$ 2,050,310	\$ 1,981,296
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 66,706	\$ 151,693
Current portion of mortgage payable (Note 3)	5,099	5,099
Current portion of deferred revenue (Note 4)	249,207	303,578
	321,012	460,370
Mortgage payable (Note 3)	38,237	43,336
Deferred revenue (Note 4)	100,000	40,000
Deferred capital contributions (Note 5)	614,230	610,341
Deferred rent	30,085	33,882
	1,103,564	1,187,929
Net Assets		
General Fund	76,403	(1,594)
Invested In Capital Assets	527,670	527,288
Capital Reserve Fund	58,724	58,724
Reserve Fund	250,000	185,000
Bequest Fund	33,949	23,949
	946,746	793,367
	\$ 2,050,310	\$ 1,981,296

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	2018		2017				
	General Fund	Invested in Capital Assets (Note 6)	Capital Reserve Fund	Reserve Fund	Bequest Fund	Total	Total
Balance, beginning of year	\$ (1,594)	\$ 527,288	\$ 58,724	\$ 185,000	\$ 23,949	\$ 793,367	\$ 810,708
Excess (deficiency) of revenue over expenses for the year	198,231	(44,852)	-	-	-	153,379	(17,341)
Fund transfers (Note 7)	(75,000)	-	-	65,000	10,000	-	-
Investment in capital assets	(45,234)	45,234	-	-	-	-	-
Balance, end of year	\$ 76,403	\$ 527,670	\$ 58,724	\$ 250,000	\$ 33,949	\$ 946,746	\$ 793,367

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

2018

2017

	2018	2017
Revenue		
Bequests	\$ 10,000	\$ -
Donations - unrestricted	368,500	358,365
Donations - restricted	459,890	452,800
Fundraising events	256,753	252,028
Gifts in kind	2,217,723	1,878,917
Grants - City of Hamilton	403,131	382,014
Grants - Federal	39,360	59,969
Grants - other	156,665	122,059
Interest and other income	3,466	4,236
Sale of books and cards	36,285	28,742
Utility subsidy program	39,836	170,399
	3,991,609	3,709,529
Expenses		
Administration	260,981	255,235
Building and grounds	91,080	75,232
Community food centre	560,463	692,340
Education	121,763	117,837
Emergency food	2,404,885	2,089,972
Family services	141,525	223,686
Marketing and development	155,726	184,901
Volunteer services	56,955	53,536
	3,793,378	3,692,739
Excess of revenue over expenses before other items	198,231	16,790
Other revenue (expenses)		
Amortization	(105,963)	(46,161)
Amortization of deferred capital contributions	61,111	12,030
	(44,852)	(34,131)
Excess (deficiency) of revenue over expenses for the year	\$ 153,379	\$ (17,341)

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	2018	2017
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 153,379	\$ (17,341)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by operating activities		
Amortization	105,963	46,161
Amortization of deferred capital contributions	(61,111)	(12,030)
Changes in non-cash working capital balances		
Accounts receivable	61,933	(42,998)
HST receivable	48,567	(27,791)
Prepaid expenses	(2,180)	11,573
Accounts payable and accrued liabilities	(84,987)	126,155
Deferred revenue	5,629	(49,959)
Deferred rent	(3,797)	33,882
	<u>223,396</u>	<u>67,652</u>
Cash flows from investing activities		
Purchase of capital assets	(105,135)	(596,259)
Increase in restricted assets - cash	(15,326)	(12,000)
	<u>(120,461)</u>	<u>(608,259)</u>
Cash flows from financing activities		
Repayment of mortgage payable	(5,099)	(5,099)
Receipt of deferred capital contributions	65,000	445,533
	<u>59,901</u>	<u>440,434</u>
Increase (decrease) in cash during the year	162,836	(100,173)
Cash, beginning of year	332,728	432,901
Cash, end of year	\$ 495,564	\$ 332,728

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

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2018

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 and restricted donations for 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 plus one renewal
Vehicle	- 50 % straight-line basis

Neighbour to Neighbour Centre (Hamilton)

Notes to Financial Statements

March 31, 2018

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 \$2,168,781 (2017 - \$1,863,885) based on an average price per pound of \$2.50 (2017 - \$2.50) based on the Food Banks of Canada national valuation standard. In 2018, management estimates that 879,610 (2017 - 745,554) 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

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 community food expense could be significant.

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2018

2. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 167,412	\$ -	\$ 167,412	\$ -
Buildings	699,855	338,205	699,855	310,209
Furniture and equipment	149,615	123,971	138,957	117,282
Computer equipment	114,623	97,495	106,136	90,706
Cooler	22,741	21,806	22,741	21,702
Leasehold improvements	686,869	74,402	600,879	10,017
Vehicle	36,995	36,995	36,995	36,995
	\$ 1,878,110	\$ 692,874	\$ 1,772,975	\$ 586,911
Net book value		\$ 1,185,236		\$ 1,186,064

3. Mortgage Payable

	2018	2017
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	\$ 43,336	\$ 48,435
Less: Current portion	5,099	5,099
	\$ 38,237	\$ 43,336

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

2019	\$ 5,099
2020	5,099
2021	5,099
2122	5,099
2123	5,099
Thereafter	17,841
	\$ 43,336

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2018

4. Deferred Revenue

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

	2018	2017
Balance, beginning of the year	\$ 343,578	\$ 457,448
Amounts received	266,734	280,465
Amounts recognized in revenue in the current year	(202,605)	(330,424)
Amounts transferred to deferred capital contributions	(58,500)	(63,911)
	\$ 349,207	\$ 343,578

Deferred revenue amounts recognized in the current year are included in donations - restricted, fundraising events, grants - other and utility subsidy program revenue 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.

	2018	2017
Balance, beginning of year	\$ 610,341	\$ 112,927
Contributions received during the year	6,500	445,533
Amounts transferred from deferred revenue	58,500	63,911
Amount amortized in current year	(61,111)	(12,030)
	\$ 614,230	\$ 610,341

6. Invested in Capital Assets

Invested in Capital Assets is calculated as follows:

	2018	2017
Capital assets, at cost	\$ 1,878,110	\$ 1,772,975
Accumulated amortization	(692,874)	(586,911)
Mortgage payable	(43,336)	(48,435)
Deferred capital contributions	(614,230)	(610,341)
	\$ 527,670	\$ 527,288

Neighbour to Neighbour Centre (Hamilton) Notes to Financial Statements

March 31, 2018

7. Fund Transfers

During the year, the Board approved transfers of \$10,000 from the General Fund to the Bequest fund and \$65,000 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:

2019	\$	71,237
2020		72,240
2021		72,240
2022		12,040
		<hr/>
	\$	<u>227,757</u>

9. Financial Instrument Risk

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. Comparative Figures

The comparative figures presented in the financial statements have been restated to conform to the current year's presentation.