

**MADA COMMUNITY CENTER INC.
CENTRE COMMUNAUTAIRE MADA INC.**

Financial Statements

December 31, 2017

**MADA COMMUNITY CENTER INC.
CENTRE COMMUNAUTAIRE MADA INC.**

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INDEPENDENT AUDITOR'S REPORT

To the Members of MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC.

We have audited the accompanying financial statements of MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC., which comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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, MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC. derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2017, current assets and net assets as at January 1 and December 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC. as at December 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of MADA COMMUNITY CENTER INC. for the year ended December 31, 2016 were audited by another practitioner who expressed a qualified conclusion on those financial statements on July 18, 2017 because of the inability to verify the completeness of fundraising revenues.

Mont-Royal, Quebec
April 12, 2018

PWGL Inc.¹

¹ CPA auditor, CA, public accountancy permit No. A120796

**MADA COMMUNITY CENTER INC.
CENTRE COMMUNAUTAIRE MADA INC.**

Statement of Financial Position

December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 670,999	\$ 356,975
Sales taxes receivable	118,197	79,578
Loan receivable (Note 4)	18,596	-
Prepaid expenses and deposits	6,234	16,430
	814,026	452,983
CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE (Note 5)	5,871,998	5,352,951
	\$ 6,686,024	\$ 5,805,934
LIABILITIES		
CURRENT		
Bank loan (Note 6)	\$ 344,950	\$ 545,950
Accounts payable	543,481	373,306
Loan payable (Note 4)	18,596	-
Current portion of long term debt (Note 7)	94,833	88,985
Current portion of obligations under capital lease (Note 8)	16,045	13,299
	1,017,905	1,021,540
LONG TERM DEBT (Note 7)	2,313,192	2,411,015
OBLIGATIONS UNDER CAPITAL LEASE (Note 8)	41,897	61,707
DUE TO RELATED PARTIES (Note 9)	221,593	215,100
	3,594,587	3,709,362
NET ASSETS		
Unrestricted net assets	(314,594)	(681,373)
Net assets invested in capital assets and assets under capital lease	3,406,031	2,777,945
	3,091,437	2,096,572
	\$ 6,686,024	\$ 5,805,934

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

**MADA COMMUNITY CENTER INC.
CENTRE COMMUNAUTAIRE MADA INC.**

Statement of Changes in Net Assets

Year Ended December 31, 2017

	Unrestricted	Net assets invested in capital assets and assets under capital lease	2017	2016
NET ASSETS - BEGINNING OF YEAR				
As previously reported	\$ (579,424)	\$ 2,779,705	\$ 2,200,281	\$ 1,863,902
Prior period adjustments <i>(Note 3)</i>	(101,949)	(1,760)	(103,709)	(101,949)
As restated	(681,373)	2,777,945	2,096,572	1,761,953
EXCESS OF REVENUES OVER EXPENSES	1,238,017	(243,152)	994,865	334,619
Interfund transfers	(871,238)	871,238	-	-
NET ASSETS - END OF YEAR	\$ (314,594)	\$ 3,406,031	\$ 3,091,437	\$ 2,096,572

**MADA COMMUNITY CENTER INC.
CENTRE COMMUNAUTAIRE MADA INC.**

Statement of Revenues and Expenditures

Year Ended December 31, 2017

	2017	2016
REVENUES		
Retail sales	\$ 63,049	\$ 41,325
Monetary donations	3,597,164	3,344,417
Subsidies and grants	316,772	318,166
Resale of donated goods	72,585	72,229
Interest income	-	11
Donation of goods	639,691	950,294
Other income	50,000	-
	4,739,261	4,726,442
DIRECT EXPENDITURES		
Fundraising	89,051	141,466
Food and kitchen supplies	383,503	346,974
Activities and special programs	153,066	89,127
Distribution of donated goods	639,691	949,644
Retail store expenses	18,442	-
	1,283,753	1,527,211
EXPENSES		
Advertising and promotion	90,708	89,776
Amortization	243,152	228,527
Insurance	35,331	32,311
Bank charges	15,800	20,541
Interest on current financial liabilities	23,125	19,940
Interest on long term financial liabilities	78,406	106,702
Office	21,220	31,929
Postage and courier	29,133	45,155
Professional fees	32,789	55,190
Rent	184,277	246,682
Repairs and maintenance	132,109	142,661
Salaries and wages	1,362,114	1,495,426
Taxes and licenses	26,161	98,823
Telephone	14,121	27,373
Transport, freight and automotive	91,740	146,285
Utilities	82,750	77,447
Foreign exchange	(2,293)	2,277
	2,460,643	2,867,045
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	994,865	332,186
OTHER INCOME		
Gain on disposal of capital assets and assets under capital lease	-	2,433
EXCESS OF REVENUES OVER EXPENSES	\$ 994,865	\$ 334,619

See notes to financial statements

**MADA COMMUNITY CENTER INC.
CENTRE COMMUNAUTAIRE MADA INC.**

Statement of Cash Flow

Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 994,865	\$ 334,619
Items not affecting cash:		
Amortization of capital assets and assets under capital lease	243,152	228,527
Gain on disposal of capital assets and assets under capital lease	-	(2,433)
	1,238,017	560,713
Changes in non-cash working capital:		
Sales taxes receivable	(38,619)	46,953
Prepaid expenses and deposits	10,196	(5,486)
Accounts payable	170,176	105,275
	141,753	146,742
Cash flow from operating activities	1,379,770	707,455
INVESTING ACTIVITIES		
Purchase of capital assets	(762,200)	(283,111)
Loan receivable	(18,596)	-
Cash flow used by investing activities	(780,796)	(283,111)
FINANCING ACTIVITIES		
Bank loan	(201,000)	(381,367)
Loan payable	18,596	(40,000)
Due to related parties	6,493	25,000
Repayments of long term debt	(91,975)	(2,229,498)
Proceeds from long term debt	-	2,500,000
Repayments of capital lease obligations	(17,064)	(33,580)
Cash flow used by financing activities	(284,950)	(159,445)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	314,024	264,899
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	356,975	92,076
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 670,999	\$ 356,975

Cash and cash equivalents consists of cash in bank.

MADA COMMUNITY CENTER INC. CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

December 31, 2017

1. CHARTER AND PURPOSE OF THE ORGANIZATION

CENTRE COMMUNAUTAIRE MADA INC./MADA COMMUNITY CENTER INC. (the "organization") is a not-for-profit organization incorporated under the Canada Corporations Act - Part II on June 9, 2009 and continued under the Canada Not-for-profit Corporations Act on September 30, 2014. The organization is a registered charity and is exempt from the payment of income taxes under the Income Tax Act.

The organization operates to serve the needs of the community by providing food, clothing and other essential services. It also maintains a food bank, used clothing and homegood distribution and a retail location. With the exception of government grants, the organization's contributions originate from corporate and private donations.

2. ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. The main estimates relate to the impairment of financial assets and the useful life of capital assets and assets under capital lease.

Revenue recognition

The organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Revenue from the retail sales and resale of donated goods is recognized when title to the goods pass to the customer and payment is received.

Other income is recognized as revenue when received.

Translation of foreign currency transactions and items

The organization uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses, except for amortization translated at the historical rate, are translated at the average rate for the year. Exchange gains and losses are included in the income statement.

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**MADA COMMUNITY CENTER INC.
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Notes to Financial Statements

December 31, 2017

2. ACCOUNTING POLICIES *(continued)*

Financial instruments

Initial and subsequent measurement

The organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The organization subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost on a straight-line basis include cash and loan receivable.

Financial liabilities measured at amortized cost on a straight-line basis include bank loan, accounts payable, loan payable, long term debt and due to related parties.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in income 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 income over the life of the instrument using the straight-line method.

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 income. A previously recognized impairment loss may be reversed. 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 income.

Cash and cash equivalents

The organization's policy is to present bank balances under cash and cash equivalents.

Capital assets and assets under capital lease

Capital assets and assets under capital lease are accounted for at cost and amortized on the basis of their useful life at the following rates and method:

Buildings	4%	declining balance method
Furniture and fixtures	20%	declining balance method
Rolling stock	30%	declining balance method
Computer equipment	30%	declining balance method
Computer software	30%	declining balance method
Rolling stock under capital lease	30%	declining balance method

(continues)

**MADA COMMUNITY CENTER INC.
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Notes to Financial Statements

December 31, 2017

2. ACCOUNTING POLICIES *(continued)*

Impairment of Long Lived Assets

The organization tests 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 future net cash flows the long-lived 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 the carrying value exceeds its fair value.

Contributed goods and services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials is recorded in the financial statements when it can be reasonably estimated. The fair value of the contribution of time by volunteers cannot be reasonably determined and is therefore not reflected in these financial statements.

3. PRIOR PERIOD ADJUSTMENT

The organization discovered that the rolling stock under capital lease and the related obligations under capital lease were incorrectly recorded in the December 31, 2016 financial statements and no amount was accrued for vacation pay and payroll payable in the December 31, 2016 and prior years' financial statements. As a result, the net assets balance as at January 1, 2017 has been decreased by \$103,709, the net assets balance as at January 1, 2016 has been decreased by \$101,949 and the 2016 financial statements have been restated. The rolling stock under capital lease balance as at December 31, 2016 has been increased by \$53,270. The obligations under capital lease balance as at December 31, 2016 has been increased by \$55,031. The amortization expense, interest on capital leases and gain on disposal of capital lease appearing in the 2016 statement of changes in net assets have been increased by \$8,779, \$2,026 and \$2,433 respectively. The mortgage interest and excess of revenues over expenses appearing in the 2016 statement of revenues and expenditures have been decreased by \$6,612 and \$1,760 respectively.

4. LOAN RECEIVABLE AND LOAN PAYABLE

The loans are to/from unrelated parties, unsecured, non interest bearing and without specific payment terms.

**MADA COMMUNITY CENTER INC.
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Notes to Financial Statements

December 31, 2017

5. CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Buildings	5,785,242	554,871	5,230,371	4,729,222
Furniture and fixtures	74,508	23,124	51,384	8,186
Rolling stock	200,426	174,988	25,438	19,865
Computer equipment	17,250	5,378	11,872	3,584
Computer software	9,948	5,805	4,143	5,919
	\$ 6,587,374	\$ 764,166	\$ 5,823,208	\$ 5,266,776

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Rolling stock under capital lease	\$ 82,000	\$ 33,210	\$ 48,790	\$ 86,175
Total capital assets and assets under capital lease	\$ 6,669,374	\$ 797,376	\$ 5,871,998	\$ 5,352,951

6. BANK LOAN

The loan is payable on demand and bears interest at prime plus 0.5%. The loan is secured by land and building having a net carrying amount of \$5,730,371.

7. LONG TERM DEBT

	2017	2016
Mortgage loan, repayable in monthly instalments of \$13,953, including interest at a rate of 3.07%, maturing in December 2021, secured by land and building having a net carrying amount of \$5,730,371.	\$ 2,408,025	\$ 2,500,000
Amounts payable within one year	(94,833)	(88,985)
	\$ 2,313,192	\$ 2,411,015

Principal repayment terms are approximately:

2018	\$ 94,833
2019	97,786
2020	100,830
2021	2,114,576
	<u>\$ 2,408,025</u>

**MADA COMMUNITY CENTER INC.
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Notes to Financial Statements

December 31, 2017

8. OBLIGATIONS UNDER CAPITAL LEASE

	2017	2016
Lease completed in the year	\$ -	\$ 1,674
Rolling stock lease payable in monthly lease payments excluding sales taxes of \$1,528 including interest at 4.47% per annum, maturing in May 2021.	57,942	73,332
	57,942	75,006
Amounts payable within one year	(16,045)	(13,299)
	\$ 41,897	\$ 61,707

Future minimum capital lease payments are approximately:

2018	\$ 18,332
2019	18,332
2020	18,332
2021	7,640
	<u>62,636</u>
Interest included in minimum lease payments	<u>4,694</u>
	<u>\$ 57,942</u>

9. DUE TO RELATED PARTIES

	2017	2016
Due to a director	\$ 138,000	\$ 138,000
Due to an organization under common control	83,593	77,100
	\$ 221,593	\$ 215,100

The loans are unsecured, non-interest bearing and are not repayable before January 1, 2019.

10. CONTINGENT LIABILITY

The organization has received advances, from a third party, on pledges made by donors. The donors have agreed, on a case by case basis, to make annual payments to the third party directly in order to repay the advance. Although no written agreement exists, the organization could be held responsible to repay any amount not satisfied by the donors. As of the date of these financial statements, that amounts to \$100,000.

11. VALUE OF DONATED GOODS

These financial statements only include the value of goods for which charitable receipts were issued. Management estimates that the retail value of goods donated and distributed during the year where no donation receipts were issued is approximately \$23,450,900 (\$21,995,000 in 2016).

MADA COMMUNITY CENTER INC. CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

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12. CONTRACTUAL OBLIGATIONS

The organization has 2 long term leases expiring on October 31, 2021 and March 31, 2022. The lease ending on October 31, 2022 also requires monthly additional payments of \$18,000 per annum, not included below, which amount is increased annually commencing on November 1, 2018 and annually thereafter based on the increases in property and municipal taxes over 2017.

Future minimum base lease payments (excluding taxes) are:

2018	\$	196,250
2019		197,780
2020		199,346
2021		99,708
2022		11,038
		<hr/>
	\$	<u>704,122</u>

13. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its bank loan, loan payable, long-term debt, due to related parties, and accounts payable.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Some of the organization's financial instruments expose it to this risk, which comprises interest rate risk .

(c) 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 interest rates. The organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the organization to changes in related future cash flows.

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.