

MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC.

Financial Statements

Year Ended December 31, 2019

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

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the financial statements of MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC. (the "Organization"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of changes in net assets for the year then ended
- the statement of revenues and expenditures for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenditures, current assets and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 those requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

Auditors' 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 auditors' 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.



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- 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 auditor's 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 auditors' 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.
- 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 handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Mont-Royal, Canada

August 28, 2020

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

Statement of Financial Position

December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 185,426	\$ 279,304
Sales taxes receivable	16,450	15,114
Prepaid expenses and deposits	4,522	8,284
	206,398	302,702
CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE (Note 3)	6,280,545	6,033,715
	\$ 6,486,943	\$ 6,336,417
LIABILITIES		
CURRENT		
Bank loan (Note 4)	\$ 161,475	\$ 221,475
Accounts payable	303,487	163,531
Current portion of long-term debt (Note 5)	100,830	97,786
Current portion of obligations under capital lease (Note 6)	27,444	16,728
Due to related parties (Note 7)	221,593	221,593
	814,829	721,113
LONG-TERM DEBT (Note 5)	2,114,568	2,215,399
OBLIGATIONS UNDER CAPITAL LEASE (Note 6)	19,717	25,216
	2,949,114	2,961,728
NET ASSETS		
Unrestricted net assets	(480,157)	(303,897)
Net assets invested in capital assets and assets under capital lease	4,017,986	3,678,586
	3,537,829	3,374,689
	\$ 6,486,943	\$ 6,336,417

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See accompanying notes to financial statements.

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

Statement of Changes in Net Assets

Year Ended December 31, 2019

	Unrestricted	Net assets invested in capital assets and assets under capital lease	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ (303,897)	\$ 3,678,586	\$ 3,374,689	\$ 3,091,437
EXCESS OF REVENUES OVER EXPENDITURES	423,407	(260,267)	163,140	283,252
Purchase of capital assets	(115,467)	115,467	-	-
Donated capital assets	(361,800)	361,800	-	-
Repayment of long-term debt and capital lease obligations	(122,400)	122,400	-	-
NET ASSETS - END OF YEAR	\$ (480,157)	\$ 4,017,986	\$ 3,537,829	\$ 3,374,689

See accompanying notes to financial statements.

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

Statement of Revenues and Expenditures

Year Ended December 31, 2019

	2019	2018
REVENUES		
Retail sales	\$ 95,256	\$ 168,620
Monetary donations	2,601,002	2,578,869
Subsidies and grants	216,358	253,847
Resale of donated goods	41,972	58,193
Interest income	106	68
Donation of goods	1,199,360	992,964
Other income	125,000	260,000
	4,279,054	4,312,561
DIRECT EXPENDITURES		
Fundraising	115,659	3,708
Food and kitchen supplies	466,036	387,226
Activities and special programs	96,931	132,773
Distribution of donated goods	837,560	992,964
Retail store expenses	15,033	6,028
	1,531,219	1,522,699
EXPENSES		
Advertising and promotion	69,111	53,433
Amortization	260,267	253,499
Insurance	35,060	32,288
Bank charges	10,964	13,399
Interest on current financial liabilities	8,557	13,123
Interest on long-term financial liabilities	74,219	76,212
Office	34,902	33,181
Postage and courier	36,980	33,707
Professional fees	19,835	29,809
Rent	222,391	219,466
Repairs and maintenance	169,190	166,633
Salaries and wages	1,412,439	1,364,660
Taxes and licenses	30,622	34,006
Telephone	20,944	14,793
Transport, freight and automotive	89,006	71,081
Utilities	90,191	97,458
Foreign exchange loss (gain)	17	(138)
	2,584,695	2,506,610
EXCESS OF REVENUES OVER EXPENDITURES	\$ 163,140	\$ 283,252

See accompanying notes to financial statements.

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

Statement of Cash Flow

Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 163,140	\$ 283,252
Items not affecting cash:		
Amortization of capital assets and assets under capital lease	260,267	253,499
Donation of goods	(1,199,360)	(992,964)
Distribution of donated goods	837,560	992,964
	61,607	536,751
Changes in non-cash working capital:		
Sales taxes receivable	(1,336)	103,083
Prepaid expenses and deposits	3,762	(2,050)
Accounts payable	139,956	(379,950)
	142,382	(278,917)
Cash flow from operating activities	203,989	257,834
INVESTING ACTIVITIES		
Purchase of capital assets	(115,467)	(415,216)
Loan receivable	-	18,596
Cash flow used in investing activities	(115,467)	(396,620)
FINANCING ACTIVITIES		
Bank loan	(60,000)	(123,475)
Loan payable	-	(18,596)
Repayments of long-term debt	(97,789)	(94,840)
Repayments of obligations under capital lease	(24,611)	(15,998)
Cash flow used in financing activities	(182,400)	(252,909)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(93,878)	(391,695)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	279,304	670,999
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 185,426	\$ 279,304

Cash and cash equivalents consist of cash in bank.

MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

Year Ended December 31, 2019

1. CHARTER AND PURPOSE OF THE ORGANIZATION

Mada Community Centre/Centre Communautaire Mada Inc. (the "Organization") is a not-for-profit organization incorporated under Part II of the *Canada Business Corporations Act* 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 home-goods 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 ("ASNFP").

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 expenditures 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 useful life of capital assets and assets under capital lease and the value of donation of goods and distribution of donated goods.

Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

(continues)

MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

Year Ended December 31, 2019

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.

Financial liabilities measured at amortized cost on a straight-line basis include bank loan, accounts 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.

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 estimated useful life using the declining balance method and the following rates:

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

Impairment of long-lived assets

Capital assets and assets under capital lease are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset 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.

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

Notes to Financial Statements

Year Ended December 31, 2019

3. CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 662,160	\$ -	\$ 662,160	\$ 500,000
Buildings	6,475,552	991,409	5,484,143	5,412,394
Furniture and fixtures	101,016	47,392	53,624	56,703
Rolling stock	212,226	189,731	22,495	17,807
Computer equipment	18,954	12,124	6,830	9,758
Computer software	9,948	7,918	2,030	2,900
	\$ 7,479,856	\$ 1,248,574	\$ 6,231,282	\$ 5,999,562

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Rolling stock under capital lease	\$ 111,830	\$ 62,567	\$ 49,263	\$ 34,153

Total capital assets and assets under capital lease	\$ 7,591,686	\$ 1,311,141	\$ 6,280,545	\$ 6,033,715
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During the year, the Organization acquired rolling stock under capital lease for \$29,830 (2018- nil)

4. 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 \$5,800,059.

5. LONG-TERM DEBT

	2019	2018
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 \$5,800,059.	\$ 2,215,398	\$ 2,313,185
Amounts payable within one year	(100,830)	(97,786)
	\$ 2,114,568	\$ 2,215,399

Principal repayment terms are approximately:

2020	\$ 100,830
2021	2,114,568
	\$ 2,215,398

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

Notes to Financial Statements

Year Ended December 31, 2019

6. OBLIGATIONS UNDER CAPITAL LEASE

	2019	2018
Rolling stock lease payable in monthly lease payments of \$1,528 excluding sales taxes, including interest at 4.5% per annum, maturing in May 2021.	\$ 25,169	\$ 41,944
Rolling stock lease payable in monthly lease payments of \$890 excluding sales taxes, including interest at 4.75% per annum, maturing in February 2022.	21,992	-
	47,161	41,944
Amounts payable within one year	(27,444)	(16,728)
	\$ 19,717	\$ 25,216

During the year, the Organization incurred capital lease for \$29,830 (NIL in 2018)

Future minimum capital lease payments are approximately:

2020	\$ 29,019
2021	18,325
2022	1,782
	<u>49,126</u>
Interest included in minimum lease payments	<u>(1,965)</u>
	<u>\$ 47,161</u>

7. DUE TO RELATED PARTIES

	2019	2018
Due to a director	\$ 138,000	\$ 138,000
Due to an organization under common control	83,593	83,593
	\$ 221,593	\$ 221,593

The loans are unsecured, non-interest bearing and have no specific terms of repayment.

8. VALUE OF DONATED GOODS

The Organization receives numerous donations of goods, but these financial statements only include the value of goods for which charitable receipts were issued.

MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

Year Ended December 31, 2019

9. CONTRACTUAL OBLIGATIONS

The Organization has two long-term leases expiring on October 31, 2021 and March 31, 2022.

Future minimum base lease payments (excluding taxes) are:

2020	\$	199,346
2021		99,708
2022		11,038
	\$	310,092

The lease ending on October 31, 2022 also requires monthly additional payments of \$18,000 per annum, not included above, which are increased annually commencing on November 1, 2018 and thereafter based on the increases in property and municipal taxes over 2017.

10. 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, long-term debt, obligations under capital lease, 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.

11. SUBSEQUENT EVENT

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Organization's operations are not known at this time. These impacts could include an impact on the Organization's ability to obtain debt financing, impairments in the value of the Organization's long-lived assets, or potential future decreases in revenue of the Organization's ongoing operations.