

MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC.

Financial Statements

Year Ended December 31, 2020

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

Table of Contents

Year Ended December 31, 2020

	Page
INDEPENDENT AUDITORS' REPORT	1 - 3
FINANCIAL STATEMENTS OF MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC.	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Revenues and Expenditures	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 13



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INDEPENDENT AUDITORS' REPORT

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

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, 2020
- the statements 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, 2020, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization 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 the Organization.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2020 and December 31, 2019
- the fundraising revenues and excess of revenues over expenditures reported in the statements of revenues and expenditures for the years ended December 31, 2020 and December 31, 2019
- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2020 and December 31, 2019
- the excess of revenues over expenditures reported in the statements of cash flows for the years ended December 31, 2020 and December 31, 2019.

Our opinion on the financial statements for the year ended December 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.



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 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 these 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 the 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.
- 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 auditors' 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.

*KPMG LLP**

Mont-Royal, Canada

May 19, 2021

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

Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 1,214,905	\$ 185,426
Sales taxes receivable	19,536	16,450
Accounts receivable	75,519	-
Prepaid expenses and deposits	5,411	4,522
	1,315,371	206,398
CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE (Note 3)	6,212,780	6,280,545
	\$ 7,528,151	\$ 6,486,943
LIABILITIES		
CURRENT		
Bank loan	\$ -	\$ 161,475
Accounts payable	243,982	303,487
Current portion of long-term debt (Note 4)	2,166,012	100,830
Current portion of obligations under capital lease (Note 5)	17,938	27,444
Due to related parties (Note 6)	-	221,593
	2,427,932	814,829
LONG-TERM DEBT (Note 4)	-	2,114,568
OBLIGATIONS UNDER CAPITAL LEASE (Note 5)	1,779	19,717
	2,429,711	2,949,114
NET ASSETS		
Unrestricted net assets	1,071,389	(480,157)
Net assets invested in capital assets and assets under capital lease	4,027,051	4,017,986
	5,098,440	3,537,829
	\$ 7,528,151	\$ 6,486,943

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, 2020

	Unrestricted	Net assets invested in capital assets and assets under capital lease	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ (480,157)	\$ 4,017,986	\$ 3,537,829	\$ 3,374,689
EXCESS OF REVENUES OVER EXPENDITURES	1,836,065	(275,454)	1,560,611	163,140
Purchase of capital assets	(204,689)	204,689	-	-
Donated capital assets	(3,000)	3,000	-	-
Repayment of long-term debt and capital lease obligations	(76,830)	76,830	-	-
NET ASSETS - END OF YEAR	\$ 1,071,389	\$ 4,027,051	\$ 5,098,440	\$ 3,537,829

See accompanying notes to financial statements.

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

Statement of Revenues and Expenditures

Year Ended December 31, 2020

	2020	2019 <i>(Recast - Note 11)</i>
REVENUES		
Retail sales	\$ 30,447	\$ 95,256
Monetary donations	4,168,513	2,601,002
Subsidies and grants	687,036	216,358
Resale of donated goods	27,165	41,972
Interest income	29	106
Donation of goods	827,739	1,421,847
Other income	125,000	125,000
	5,865,929	4,501,541
DIRECT EXPENDITURES		
Fundraising	54,996	115,659
Food and kitchen supplies	683,221	466,036
Activities and special programs	138,678	96,931
Distribution of donated goods	796,837	1,060,047
Retail store expenses	1,223	15,033
	1,674,955	1,753,706
EXPENSES		
Advertising and promotion	120,250	69,111
Amortization	275,454	260,267
Insurance	41,440	35,060
Bank charges	22,022	10,964
Interest on current financial liabilities	2,816	8,557
Interest on long-term financial liabilities	71,075	74,219
Office	30,809	34,902
Postage and courier	45,190	36,980
Professional fees	19,294	19,835
Rent	164,734	222,391
Repairs and maintenance	147,817	169,190
Salaries and wages	1,459,131	1,412,439
Taxes and licenses	43,557	30,622
Telephone	27,654	20,944
Transport, freight and automotive	57,873	89,006
Utilities	99,697	90,191
Foreign exchange loss	686	17
	2,629,499	2,584,695
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	1,561,475	163,140
OTHER INCOME		
Loss on disposal of investments	(864)	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ 1,560,611	\$ 163,140

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019 <i>(Recast - Note 11)</i>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 1,560,611	\$ 163,140
Items not affecting cash:		
Amortization of capital assets and assets under capital lease	275,454	260,267
Loss on disposal of investments	864	-
Donation of goods	(827,739)	(1,421,847)
Distribution of donated goods	796,837	1,060,047
	1,806,027	61,607
Changes in non-cash working capital:		
Accounts receivable	(75,519)	-
Sales taxes receivable	(3,086)	(1,336)
Prepaid expenses and deposits	(889)	3,762
Accounts payable	(59,505)	139,956
	(138,999)	142,382
Cash flow from operating activities	1,667,028	203,989
INVESTING ACTIVITIES		
Purchase of capital assets	(204,689)	(115,467)
Proceeds on disposal of investments	27,038	-
Cash flow used in investing activities	(177,651)	(115,467)
FINANCING ACTIVITIES		
Bank loan	(161,475)	(60,000)
Due to related parties	(221,593)	-
Repayments of long-term debt	(49,386)	(97,789)
Repayments of obligations under capital lease	(27,444)	(24,611)
Cash flow used in financing activities	(459,898)	(182,400)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,029,479	(93,878)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	185,426	279,304
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,214,905	\$ 185,426

Cash and cash equivalents consist of cash in bank.

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

Year Ended December 31, 2020

1. CHARTER AND PURPOSE OF THE ORGANIZATION

Mada Community Center Inc./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"). The main methods used in the preparation of these financial statements are the following:

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, 2020

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, 2020

3. CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 662,160	\$ -	\$ 662,160	\$ 662,160
Buildings	6,539,900	1,212,062	5,327,838	5,484,143
Furniture and fixtures	133,209	61,336	71,873	53,624
Rolling stock	323,375	213,152	110,223	22,495
Computer equipment	18,954	14,173	4,781	6,830
Computer software	9,948	8,527	1,421	2,030
	\$ 7,687,546	\$ 1,509,250	\$ 6,178,296	\$ 6,231,282

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Rolling stock under capital lease	\$ 111,830	\$ 77,346	\$ 34,484	\$ 49,263

Total capital assets and assets under capital lease	\$ 7,799,376	\$ 1,586,596	\$ 6,212,780	\$ 6,280,545
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4. LONG-TERM DEBT

	2020	2019
Mortgage loan, bearing interest at a rate of 3.07%, reimbursable by monthly instalments of \$13,953, maturing in December 2021. The loan is secured by a guarantee of \$3,700,000 principal hypothec and an additional hypothec of \$200,000 on the Organization's land and buildings.	\$ 2,166,012	\$ 2,215,398
Amounts payable within one year	(2,166,012)	(100,830)
	\$ -	\$ 2,114,568

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

Notes to Financial Statements

Year Ended December 31, 2020

5. OBLIGATIONS UNDER CAPITAL LEASE

	2020	2019
Obligation under capital lease, bearing interest at 4.75%, reimbursable in 36 monthly instalments commencing in March 2019, maturing in February 2022	\$ 12,137	\$ 21,992
Obligation under capital lease, bearing interest at 4.5%, reimbursable in 60 monthly instalments commencing in June 2016, maturing in May 2021	7,580	25,169
	19,717	47,161
Amounts payable within one year	(17,938)	(27,444)
	\$ 1,779	\$ 19,717

Future minimum capital lease payments are approximately:

2021	\$ 18,325
2022	1,782
	<u>20,107</u>
Interest included in minimum lease payments	<u>390</u>
	<u>\$ 19,717</u>

6. DUE TO RELATED PARTIES

	2020	2019
Due to a director	\$ -	\$ 138,000
Due to an organization under common control	-	83,593
	\$ -	\$ 221,593

7. 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, 2020

8. GOVERNMENT ASSISTANCE

The Organization has participated in available stimulus grants offered by the government to help offset the negative impact of the COVID-19 pandemic.

Canada Emergency Wage Subsidy

The Organization participated in the Canada Emergency Wage Subsidy ("CEWS"). CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month by month basis. For the year ended December 31, 2020, the total income relating to CEWS amounted to \$422,802 and was recognized as an increase in Subsidies and grants in the Statement of Revenues and Expenditures.

Temporary Wage Subsidy

In addition to CEWS, the Organization benefited from the government 10% Temporary Wage Subsidy ("TWS"). TWS was a 3-month measure that allowed eligible employers to reduce the amount of payroll deductions needed to be remitted to the Canada Revenue Agency (CRA). For the year ended December 31, 2020, the total income relating to TWS amounted to \$16,149 and was recognized as an increase in Salaries and wages in the Statement of Revenues and Expenditures.

Canada Emergency Rent Subsidy

Canada Emergency Rent Subsidy ("CERS") provides qualifying companies with a monthly financial support grant based on commercial real estate expenses, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year over-year Canadian revenue on a month by month basis. Total government stimulus grant income amounted to \$16,937 and was recognized as an increase in Subsidies and grants in the Statement of Revenues and Expenditures.

9. COMMITMENTS

The Organization has long-term lease agreements with respect to its buildings and automobiles. Future minimum lease payments are as follows:

2021	\$	244,021
2022		239,041
2023		178,901
2024		146,651
2025		146,651
Thereafter		36,663
		<hr/>
	\$	<u>991,928</u>

MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

Year Ended December 31, 2020

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 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. COMPARATIVE INFORMATION

The financial statements for the fiscal year ended December 31, 2019 were recast for an immaterial error correction in order to reflect an increase of donation of goods in revenues by \$222,487 and increase of distribution of donated goods in direct expenditures by \$222,487.

The restatement was recorded as follows:

	As originally reported	Adjustment	Recast
<u>Statement of Revenues and Expenditures</u>			
REVENUES			
Donation of goods	\$ 1,199,360	\$ 222,487	\$ 1,421,847
DIRECT EXPENDITURES			
Distribution of donated goods	837,560	222,487	1,060,047
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EXCESS OF REVENUES OVER EXPENDITURES	\$ 163,140	\$ -	\$ 163,140

The adjustment, which was also recorded within the operating activities of the statement of cash flows, had no effect on the excess of revenues over expenditures, or the cash flow from operating activities, for the year ended December 31, 2019.