

Financial Statements of

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

Year ended December 31, 2021

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.

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, 2021
- the statement of revenues and expenditures for the year then ended
- the statement of changes in net assets 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, 2021 and its results of 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, 2021 and December 31, 2020
- the fundraising revenues and excess of revenues over expenditures reported in the statements of revenues and expenditures for the years ended December 31, 2021 and December 31, 2020
- 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, 2021 and December 31, 2020
- the excess of revenues over expenditures reported in the statements of cash flows for the years ended December 31, 2021 and December 31, 2020.

Our opinion on the financial statements for the year ended December 31, 2020 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 auditors' report.



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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 opinion.

Responsibilities of Management 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 related 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.



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- 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 11, 2022

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 1,494,505	\$ 1,209,904
Marketable securities	19,909	5,001
Sales taxes receivable	23,490	19,536
Accounts receivable	202,992	75,519
Prepaid expenses and deposits	5,723	5,411
	<u>1,746,619</u>	<u>1,315,371</u>
Capital assets and assets under capital lease (note 2)	6,096,524	6,212,780
	<u>\$ 7,843,143</u>	<u>\$ 7,528,151</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 303,018	\$ 243,982
Current portion of long-term debt (note 3)	2,076,262	2,166,012
Current portion of obligations under capital lease (note 4)	1,779	17,938
Current portion of deferred contributions	67,143	-
	<u>2,448,202</u>	<u>2,427,932</u>
Long-term debt (note 3)	40,397	-
Obligations under capital lease (note 4)	-	1,779
Deferred contributions (note 5)	112,351	-
	<u>152,748</u>	<u>1,779</u>
Net assets:		
Unrestricted net assets	1,209,989	1,071,389
Net assets invested in capital assets and assets under capital lease	4,032,204	4,027,051
	<u>5,242,193</u>	<u>5,098,440</u>
	<u>\$ 7,843,143</u>	<u>\$ 7,528,151</u>

See accompanying notes to financial statements.

On behalf of the Board:

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Revenues and Expenditures

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenues:		
Monetary donations	\$ 4,013,670	\$ 4,168,513
Donation of goods	1,501,215	827,739
Subsidies and grants	481,768	687,036
Resale of donated goods	38,526	27,165
Interest income	1	29
Retail sales	-	30,447
Other income	-	125,000
	<u>6,035,180</u>	<u>5,865,929</u>
Direct expenditures:		
Distribution of donated goods	1,479,879	796,837
Food and kitchen supplies	983,688	683,221
Activities and special programs	155,925	138,678
Fundraising	58,491	54,996
Retail store expenses	-	1,223
	<u>2,677,983</u>	<u>1,674,955</u>
	3,357,197	4,190,974
Expenses:		
Salaries and wages	1,932,780	1,459,131
Amortization	291,358	275,454
Rent	184,634	164,734
Repairs and maintenance	175,263	147,817
Advertising and promotion	164,010	120,250
Utilities	93,833	99,697
Transport, freight and automotive	76,239	57,873
Interest on long-term financial liabilities	67,499	71,075
Insurance	46,272	41,440
Postage and courier	38,591	45,190
Taxes and licenses	37,581	43,557
Office	29,208	30,809
Professional fees	25,706	19,294
Bank charges	25,085	22,022
Telephone	25,018	27,654
Foreign exchange loss	42	686
Interest on current financial liabilities	-	2,816
	<u>3,213,119</u>	<u>2,629,499</u>
Excess of revenues over expenses from operations	144,078	1,561,475
Other expense:		
Loss on disposal of investments	325	864
Excess of revenues over expenditures	\$ 143,753	\$ 1,560,611

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

	Unrestricted	Net assets invested in capital assets and assets under capital lease	Total 2021	Total 2020
Net assets, beginning of year	\$ 1,071,389	\$ 4,027,051	\$ 5,098,440	\$ 3,537,829
Excess of revenues over expenditures	435,111	(291,358)	143,753	1,560,611
Purchase of capital assets	(169,029)	169,029	-	-
Donated capital assets	(6,073)	6,073	-	-
Repayment of long-term debt and capital lease obligations	(121,409)	121,409	-	-
Net assets, end of year	\$ 1,209,989	\$ 4,032,204	\$ 5,242,193	\$ 5,098,440

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures	\$ 143,753	\$ 1,560,611
Items not involving cash:		
Amortization of capital assets and assets under capital lease	291,358	275,454
Loss on disposal of investments	325	864
Donation of goods	(1,501,215)	(827,739)
Distribution of donated goods	1,479,879	796,837
Amortization of deferred capital contributions	(21,844)	-
Changes in non-cash operating working capital:		
Sales taxes receivable	(3,954)	(3,086)
Accounts receivable	(127,473)	(75,519)
Prepaid expenses and deposits	(312)	(889)
Accounts payable	59,036	(59,505)
Contributions granted	121,321	-
Contributions received	80,017	-
	<u>520,891</u>	<u>1,667,028</u>
Financing:		
Bank loan	-	(161,475)
Increase in long-term debt	54,118	-
Repayment of long-term debt	(103,471)	(49,386)
Repayment of obligations under capital lease	(17,938)	(27,444)
Due to related parties	-	(221,593)
	<u>(67,291)</u>	<u>(459,898)</u>
Investing:		
Purchase of capital assets	(169,029)	(204,689)
Marketable securities	30	(5,001)
Proceeds on disposal of investments	-	27,038
	<u>(168,999)</u>	<u>(182,652)</u>
Increase in cash	284,601	1,024,478
Cash, beginning of year	1,209,904	185,426
Cash, end of year	<u>\$ 1,494,505</u>	<u>\$ 1,209,904</u>

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

Year ended December 31, 2021

Nature of operations:

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.

1. Accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations in Part III of the *CPA Canada Handbook*.

(a) Use of estimates:

The preparation of financial statements 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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and assets under capital lease and the value of donation of goods and distribution of donated goods. Actual results could differ from these estimates.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Accounting policies (continued):

(b) 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.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital 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.

(c) Financial instruments:

(i) 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. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost.

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

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and long-term debt.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

1. Accounting policies (continued):

(c) Financial instruments (continued):

(ii) 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 straightline method.

(d) 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:

Asset	Rate
Computer equipment	30%
Computer software	30%
Rolling stock under capital lease	30%
Building	4%
Furniture and fixtures	20%
Rolling stock	30%

(e) 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.

(f) 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 (continued)

Year ended December 31, 2021

2. Capital assets and assets under capital lease:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 662,160	\$ -	\$ 662,160	\$ 662,160
Building	6,583,842	1,426,054	5,157,788	5,327,839
Furniture and fixtures	161,762	78,566	83,196	71,872
Vehicles	425,980	261,081	164,899	110,223
Computer equipment	18,954	15,607	3,347	4,781
Computer software	9,948	8,953	995	1,421
Rolling stock under capital lease	111,830	87,691	24,139	34,484
	\$ 7,974,476	\$ 1,877,952	\$ 6,096,524	\$ 6,212,780

3. Long-term debt:

Management does not believe that the demand features of the callable debt will be exercised in the current year. Assuming payment of the callable debt is not demanded, regular principal payments required on all long-term debt for the next five years are due as follows:

	2021	2020
Mortgage loan, bearing interest at a rate of 3.07%, reimbursable by monthly instalments of \$13,953. The loan is secured by a \$3,700,000 principal hypothec and an additional hypothec of \$200,000 on the Organization's land and buildings.	\$ 2,063,435	\$ 2,166,012
Loan bearing interest at 3.69%, reimbursable in 104 bi-weekly instalments of \$560 commencing in December 2021, maturing in November 2025.	53,224	-
	2,116,659	2,166,012
Amounts payable within one year	2,076,262	-
	\$ 40,397	\$ 2,166,012

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

3. Long-term debt (continued):

Subsequent to year-end, the mortgage loan agreement was renewed under the following terms: bearing interest at prime plus 1% (3.45% as at December 31, 2021), reimbursable by monthly instalments of \$11,080 and maturing in December 2022.

Principal repayments are due as follows:

2022	\$	2,076,262
2023		13,309
2024		13,809
2025		13,279
	\$	2,116,659

4. Obligations under capital lease:

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

The future minimum capital lease payment is approximately:

2022	\$	1,782
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MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Deferred contributions:

The balance of deferred contributions consists of the following:

	2021	2020
Unamortized capital contributions to purchase capital assets	\$ 72,348	\$ -
Unspent contributions for the purchase of capital assets	67,146	-
Unspent contributions related to expenses of future periods	40,000	-
	179,494	-
Less current portion of deferred contributions	(67,143)	-
	\$ 112,351	\$ -

Deferred contributions represent unspent externally restricted grants and donations for specific programs and the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as subsidies and grants in the statement of revenue and expenditures.

	2021	2020
Balance, beginning of year	\$ -	\$ -
Contributions granted	121,321	-
Contributions received	80,017	-
Less amortization of deferred contributions recognized as revenue	(21,844)	-
	\$ 179,494	\$ -

During the year ended December 31, 2021, the Organization has been granted contributions in the amount of \$121,321 recorded in accounts receivable as of December 31, 2021.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

6. 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.

7. Government assistance

For the year ended December 31, 2021, the Organization qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS"). This assistance was offered by the Canadian Government for qualifying entities faced with specified levels of revenue decline to either retain workforce on payroll or to re-hire furloughed employees and to reduce eligible operating expenses such as rent.

For the year ended December 31, 2021, the Organization recorded \$316,104 (2020 - \$422,802) for the CEWS program and \$46,201 (2020 - \$16,937) for the CERS program. The assistance received from the CEWS and CERS increased the amount of subsidies and grants in the statement of revenue and expenditures.

The CERS and the CEWS are subject to examination and approval by the tax authorities, and it is possible that the amounts granted will differ from the amounts recorded.

8. Commitments:

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

2022	\$	239,041
2023		178,901
2024		146,651
2025		146,651
2026		36,665
	\$	747,909

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. 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 refers to 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 and accounts payable.

(b) Market risk:

Market risk refers to 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 refers to 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.

10. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.

11. Subsequent events:

In January 2022, the Organization entered into a new finance agreement with Canadian Imperial Commerce Bank (CIBC) and received a loan in the amount of \$2,100,000 in March 2022 for the purpose of mortgage loan refinancing. In April 2022, the Organization repaid the mortgage loan from Royal Bank of Canada (RBC) (note 3).