OAK PARK NEIGHBOURHOOD CENTRE

Financial Statements

Year Ended August 31, 2018

OAK PARK NEIGHBOURHOOD CENTRE

Index to Financial Statements
Year Ended August 31, 2018

Henderson
Fleischer
Roller
PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Members of Oak Park Neighbourhood Centre

We have audited the accompanying financial statements of Oak Park Neighbourhood Centre, which comprise the statement of financial position as at August 31, 2018 and the statements of operations, changes in net assets and cash flows 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 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.

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 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 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 charitable organizations, the Organization derives revenue from donations, 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 charitable donations, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section, the financial statements present fairly, in all material respects, the financial position of Oak Park Neighbourhood Centre as at August 31, 2018 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.

Henderson Fleischer Roller
Professional Corporation

Oakville, Ontario
December 14, 2018

HENDERSON FLEISCHER ROLLER PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by
the Chartered Professional Accountants of Ontario

Statement of Financial Position
August 31, 2018

		2018		2017
ASSETS				
CURRENT				
Cash	$	**83,827**	$	41,022
Accounts receivable *(Note 4)*		**-**		5,178
Government grant receivable *(Note 4)*		**8,907**		-
Sales tax recoverable		**15,144**		2,182
		107,878		48,382
CAPITAL ASSETS *(Note 5)*		**735,236**		630,054
	$	**843,114**	$	678,436
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$	**4,147**	$	7,347
Source deductions payable		**8,246**		-
Deferred revenue *(Note 6)*		**97,714**		66,776
Current portion of mortgage payable *(Note 7)*		**15,779**		14,305
		125,886		88,428
MORTGAGE PAYABLE *(Note 7)*		**279,396**		295,134
DEFERRED REVENUE - CAPITAL ASSETS *(Note 8)*		**365,653**		238,753
		770,935		622,315
NET ASSETS		**72,179**		56,121
	$	**843,114**	$	678,436

CONTRACTUAL OBLIGATION

ON BEHALF OF THE BOARD

____________________________ *Director*

____________________________ *Director*

See notes to financial statements

Statement of Operations
Year Ended August 31, 2018

		2018		2017
REVENUE				
Grant funding	$	**179,155**	$	184,365
Fundraising income		**59,286**		24,419
Program income *(Note 9)*		**61,240**		69,295
Rental income		**42,514**		38,019
Charitable donations		**34,454**		58,147
Amortization of deferred revenue - capital assets *(Note 8)*		**16,100**		15,300
Membership income		**5,293**		5,573
Interest		**331**		-
		398,373		395,118
EXPENSES				
Salaries and wages		**228,344**		201,053
Program resources and supplies		**43,212**		58,706
Utility support program		**42,396**		49,494
Amortization		**17,397**		17,306
Cleaning and property maintenance		**8,204**		8,595
Mortgage interest		**8,079**		9,654
Facilities maintenance		**7,126**		10,679
Property taxes		**5,672**		4,920
Utilities		**5,061**		5,914
Professional fees		**5,019**		3,118
Office and administration		**4,915**		4,946
Insurance		**4,140**		4,373
Telephone		**1,663**		1,080
Advertising and promotion		**849**		5,643
Training		**238**		8,483
Fundraising		**-**		536
		382,315		394,500
EXCESS OF REVENUE OVER EXPENSES	$	**16,058**	$	618

See notes to financial statements

Statement of Changes in Net Assets
Year Ended August 31, 2018

	2018	2017
NET ASSETS - BEGINNING OF YEAR	**$ 56,121**	$ 55,503
Excess of revenue over expenses	**16,058**	618
NET ASSETS - END OF YEAR	**$ 72,179**	$ 56,121

See notes to financial statements

Statement of Cash Flows
Year Ended August 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 16,058	$ 618
Items not affecting cash:		
Amortization of capital assets	17,397	17,306
Amortization of deferred revenue - capital assets	(16,100)	(15,300)
	17,355	2,624
Changes in non-cash working capital:		
Accounts receivable	5,178	(583)
Government grant receivable	(8,907)	-
Sales tax recoverable	(12,962)	2,909
Prepaid expenses	-	5,047
Accounts payable and accrued liabilities	(3,200)	(15,627)
Source deductions payable	8,246	-
Deferred insurance claim	-	-
Deferred revenue	30,938	5,453
	19,293	(2,801)
Cash flow from (used by) operating activities	36,648	(177)
INVESTING ACTIVITY		
Purchase of capital assets	(122,579)	-
FINANCING ACTIVITIES		
Receipt of funds - capital assets	143,000	-
Proceeds from mortgage payable	309,439	-
Repayment of mortgage payable	(323,703)	(13,098)
Cash flow from (used by) financing activities	128,736	(13,098)
INCREASE (DECREASE) IN CASH FLOW	42,805	(13,275)
Cash - beginning of year	41,022	54,297
CASH - END OF YEAR	$ 83,827	$ 41,022

See notes to financial statements

1. DESCRIPTION OF BUSINESS

Oak Park Neighbourhood Centre (the "Organization") is a charitable organization incorporated without share capital on August 23, 2002 and was granted charitable organization status on January 19, 2004. The Organization exists to provide parenting education and support, to provide educational, recreational and social opportunities for parents and children of all ages, to sponsor programs and activities related to those purposes and to relieve poverty by providing basic amentities including food, education, counselling and clothing to families in need. For Canadian income tax purposes the Organization is a non-profit organization which is exempt from income tax under the income tax act.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Oak Park Neighbourhood Centre follows the deferral method of accounting for charitable donations and grant funding. Restricted donations and grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fundraising income is recognized as revenue when the event which gives rise to the revenue is held and the amounts are received. Program income is recognized as revenue when services are rendered and the amounts are received or receivable if the amount to be received can be reasonable estimated and collection is reasonably assured.

Membership fees and rental income are recognized as revenue when received. Memberships received late in the fiscal year are deferred where membership benefits extend into the subsequent year.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Land	N/A	non-depreciable
Land improvements	20 years	straight-line method
Buildings	20 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Fencing	10 years	straight-line method

Capital assets under construction and capital assets acquired during the year but not placed into use are not amortized until they are placed into use. No amortization is charged in the year of disposal. The Organization regularly reviews its capital assets to eliminate obsolete items.

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3. SUMMARY OF SIGNIFICANT 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.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation. During the year $252 in goods were donated (2017 - $1,642).

Net assets

a) Net assets invested in capital assets represents the Organization's net investment in capital assets, which comprises the unamortized amount of capital assets with restricted funds.
b) Internally restricted net assets are funds which have been designated for a specific purpose by the Organization's Board of Directors.
c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the Organization each year, net of transfers, and are available for general purposes.

Measurement uncertainty

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.

Significant estimates include useful lives of capital assets, calculation of accrued liabilities and deferred revenue.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are recorded at amortized cost.

Financial assets recorded at amortized cost include cash, accounts receivable and government grant receivable. There are no financial assets recorded at fair value.

Financial liabilities recorded at amortized cost include accounts payable and accrued liabilities, long term debt and deferred revenue. There are no financial liabilities recorded at fair value.

Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

Financial instruments are tested for impairment at each reporting date and when an event occurs which may have caused impairment. When a test for impairment indicates the carrying value exceeds its fair value, an impairment loss is recognized to the extent the carrying value exceeds its fair value. When the test indicates that the fair value exceeds the carrying amount, a reversal of the impairment loss previously recorded is recognized to the extent of the original cost.

4. ACCOUNTS RECEIVABLE AND GOVERNMENT GRANT RECEIVABLE

Accounts receivable and government grant receivable are presented net of allowance for doubtful accounts of $Nil (2017 - $Nil).

5. CAPITAL ASSETS

	Cost	Accumulated amortization	**2018 Net book value**	2017 Net book value
Land	$ 363,597	$ -	**$ 363,597**	$ 363,597
Land improvements	13,825	-	**13,825**	13,825
Buildings	313,794	79,101	**234,693**	250,382
Furniture and fixtures	4,624	3,299	**1,325**	2,250
Fences	7,821	782	**7,039**	-
Buildings under construction	114,757	-	**114,757**	-
	$ 818,418	$ 83,182	**$ 735,236**	$ 630,054

6. DEFERRED REVENUE PROGRAMS

The Organization defers revenue when externally restricted funds have been received, but the related expenses have not yet been incurred or program services have not yet been delivered during the year. The Organization deferred restricted grants, charitable donations, fundraising income and program income for planned program and administrative expenses as follows:

	2018	2017
Grants	$ 25,973	$ 51,454
Charitable donations	21,803	585
Syrian Family income	19,867	14,262
Fundraising income	21,067	-
Preschool income	5,736	-
Program income	2,226	475
Membership income	842	-
Rental income	200	-
	$ 97,714	$ 66,776

Deferred revenue includes funds received from government agencies and donors, restricted for specific purposes or designated for expenses planned in the next fiscal year. The government funds could be repayable if not used for the purposes designated. An amount of $19,867 has been deferred for a Syrian family which the Organization has been awaiting the family's arrival since 2016.

7. MORTGAGE PAYABLE

	2018	2017
Bank of Montreal mortgage bearing interest at 3.09% per annum, repayable in monthly blended payments of $1,912, repaid during the year.	$ -	$ 309,439
First Ontario Credit Union loan bearing interest at 2.85% per annum, repayable in monthly blended payments of $2,000. The loan is amortized over 17 years and matures on August 31, 2022. The loan is secured by a collateral mortgage and general security agreement on the land and buildings disclosed in Note 5, and a first ranking general assignment of rents and leases for the property.	295,175	-
	295,175	309,439
Amounts payable within one year	(15,779)	(14,305)
	$ 279,396	$ 295,134

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7. MORTGAGE PAYABLE *(continued)*
Principal repayment terms are approximately:

2019	$ 15,779
2020	16,248
2021	16,718
2022	17,200
Thereafter	229,230
	$ 295,175

8. DEFERRED REVENUE - CAPITAL ASSETS

The Organization deferred grants, donations and fundraising funds restricted for capital assets, less the revenue recognized for capitalized costs incurred related to the renovation of the building, acquisition of land and purchase of furniture and fixtures. Original amounts were as follows: Phase One 2013 - $169,012 (amortized over 20 yrs), Phase Two 2015 - $105,583 (amortized over 20 years), Furniture and Fixtures 2015 - $2,000 (amortized over 5 years) and Phase Three 2016 - $28,000 (amortized over 20 years). Attic renovations were under construction at year end, and the work was completed in November 2018. As such, no amortization was taken in the year for this asset, as it was still under construction.

	Balance Beginning of Year	Contributions	Amount recognized as revenue	Balance End of Year
Building - phase one	$ 125,557	$ -	$ 8,371	$ 117,186
Building - phase two	87,196	-	5,129	82,067
Building - phase three	25,200	-	1,400	23,800
Furniture and fixtures	800	-	400	400
Fencing	-	8,000	800	7,200
Attic under construction	-	135,000	-	135,000
	$ 238,753	$ 143,000	$ 16,100	$ 365,653

9. PROGRAM INCOME

	2018	2017
Pre-school program	**$ 56,275**	$ 67,741
Art and dance programs	**-**	1,554
After school program	**4,107**	-
Summer camp	**858**	-
	$ 61,240	$ 69,295

10. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of August 31, 2018. There have been no significant changes to the Organization's risk profile since August 31, 2017.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's main credit risks relate to its accounts receivable and government grant receivable, which makeup a very small portion of revenue. There is no concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. There is no concentration of liquidity risk

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. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating an financing activities. The Organization is exposed to interest rate risk primarily through its long term debt facility.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant currency rate risk or other price risks arising from these financial instruments.