

**THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2020**

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Financial Statements
March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Neighbourhood Group Community Services

Qualified Opinion

We have audited the financial statements of The Neighbourhood Group Community Services, which comprise the statement of financial position as at March 31, 2020, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the 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 Neighbourhood Group Community Services as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organization.

Basis for Qualified Opinion

In common with many charitable organizations, The Neighbourhood Group Community Services derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of The Neighbourhood Group Community Services and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended March 31, 2020, current assets and net assets as at March 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's 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 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 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.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's 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 auditor's 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.
- ♦ 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 auditor's 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.

We 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.

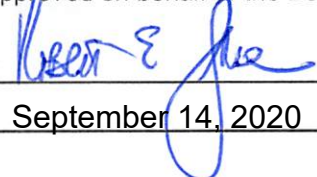
Akler Browning LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
September 1, 2020

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Statement of Financial Position
March 31, 2020

	2020	2019
Assets		
Current		
Cash	\$ 1,981,946	\$ 2,360,086
Marketable securities (note 2)	1,222,034	1,273,146
Accounts receivable (note 9)	1,323,704	916,442
Grants receivable	537,175	137,321
HST rebate receivable	152,689	83,630
Prepays	120,385	200,123
Total Current	5,337,933	4,970,748
Restricted investments - Day Care expansion (note 2)	12,016	12,016
Property and equipment (note 3)	278,833	280,710
Total Assets	\$ 5,628,782	\$ 5,263,474
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 2,330,559	\$ 2,543,880
Deferred contributions (note 4)	1,426,812	829,896
Total Current	3,757,371	3,373,776
Funds held in trust - Day Care expansion	12,016	12,016
Deferred capital contributions (note 5)	156,492	222,134
Total Liabilities	3,925,879	3,607,926
Fund Balance		
Net assets	1,702,903	1,655,548
Total Liabilities and Fund Balance	\$ 5,628,782	\$ 5,263,474

Approved on behalf of the Board:


 _____ Director
 September 14, 2020 Date


 _____ Director

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Statement of Operations and Changes in Net Assets
Year ended March 31, 2020

	2020	2019
Revenues		
Fees		
Toronto Central Community Care Access Centre	\$ 5,311,075	\$ 4,821,048
City of Toronto	1,354,988	1,400,380
Fees from users	1,068,555	1,178,861
Grants		
Province of Ontario	10,080,502	10,537,326
City of Toronto	1,635,953	1,645,380
United Way Support	1,148,304	1,141,004
Government of Canada	718,464	572,987
Other		
Other agencies	720,111	649,839
Donations and fundraising events	669,602	206,618
Administration support and rent	71,207	109,526
Amortization of deferred capital funding	65,643	58,337
Investment (loss) income	(39,044)	49,890
Total revenues	22,805,360	22,371,196
Expenditures		
Wages	15,508,727	15,298,006
Benefits	3,207,166	3,235,437
Program expenses	1,825,094	1,817,474
Occupancy costs	772,243	709,222
Travel	395,184	413,001
Purchased services	376,812	312,620
Office and general	362,757	303,330
Amortization	89,322	95,813
Promotion and publicity	86,899	57,260
Training and development	74,478	70,605
Fundraising	59,323	7,740
Total expenditures	22,758,005	22,320,508
Excess of revenues over expenditures for the year	47,355	50,688
Net assets, beginning of year	1,655,548	1,604,860
Net assets, end of year	\$ 1,702,903	\$ 1,655,548

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Statement of Cash Flows

Year ended March 31, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 47,355	\$ 50,688
Adjustments for non-cash items		
Amortization	89,322	95,813
Amortization of deferred capital contributions	(65,642)	(58,337)
	71,035	88,164
Net change in non-cash working capital items		
Accounts receivable	(407,262)	(94,155)
Grants receivable	(399,854)	(67,176)
HST rebate receivable	(69,059)	55,113
Prepays	79,738	(41,981)
Accounts payable and accrued liabilities	(213,319)	1,226,448
Deferred contributions	596,916	(509,904)
	(412,840)	568,345
Cash (Used in) Provided by Operating Activities	(341,805)	656,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(87,447)	(56,054)
Purchase of marketable securities net of disposals	51,112	(36,528)
Cash Used in Investing Activities	(36,335)	(92,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of capital contributions	-	79,180
Cash Provided by Financing Activities	-	79,180
Net (decrease) increase in cash	(378,140)	643,107
Cash, beginning of year	2,360,086	1,716,979
Cash, end of year	\$ 1,981,946	\$ 2,360,086

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

NATURE OF OPERATIONS

The organization operates as a non-profit corporation without share capital with the objective of providing community support services. The organization is a registered charity and as such, is exempt from income taxation under Section 149(1)(f) of the Canadian Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Property and equipment

Property and equipment are accounted for at cost and amortized over their estimated useful life using the following methods and rates or duration:

Equipment	20% Declining balance
Vehicles	30% Declining balance
Computer equipment	30% Declining balance
Leasehold improvements	5 years Straight-line

(b) Impairment of long-lived assets

Property and equipment subject to amortization 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.

(c) Day Care expansion investments

The funds received from the closing of the Victoria Day Care for the expansion of the organization's Day Care program are being held in trust. The funds have been invested and are shown as a long-term asset with a corresponding long-term liability for the expansion. As the funds are expended, the asset and liability are reduced and the expended funds are shown as revenue and expenses in the accompanying statement of operations.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Funds held in trust

The organization receives funds which it holds in trust to be disbursed in accordance with the terms of the underlying trust arrangement. In addition, the organization acts as administrator of funds for projects undertaken jointly with other agencies. The unexpended balances of such funds are shown as an asset and liability in the balance sheet.

(e) Deferred capital contributions

The organization received funding for the purpose of acquiring property and equipment. The contributions are recognized as revenue on the same basis as those used to amortize the property and equipment. The unamortized portion of the contributions is shown on the statement of financial position as deferred capital contributions.

(f) Revenue recognition

The organization follows the deferral method of accounting for contributions, in which restricted contributions related to expenditures of future periods are deferred and recognized as revenue in the period in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

User fees, investment income and other revenues are recognized on the accrual basis.

(g) Contributed materials and services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements. The fair market value of donated property and equipment is recognized as donation revenue in the year the property and equipment are donated, if the fair market value can be reasonably estimated.

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenditures for the periods covered. The main estimates relate to the estimated useful lives of the property and equipment and the impairment of financial assets.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Financial instruments

Measurement of financial instruments

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 financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash, guaranteed investment certificate, accounts receivable, grants receivable and HST rebate receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include investments in index pooled funds.

Impairment

For financial assets measured at 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 excess of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. 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 net excess of revenues over expenditures.

(j) Allocated expenses

The organization engages in various programs and services. The costs of each program includes the cost of personnel and other expenditures that are directly related to providing the services. The organization also incurs other expenditures that are common to the management and operations of the organization and each of its programs.

The organization allocates certain of its administration expenditures, wages and benefits, professional fees, legal fees, insurance, occupancy costs, telephone and advertising by identifying the appropriate basis of allocating each component expenditure, and applies the basis consistently each year according to contracts with the Federal, Provincial and Municipal governments.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

2. INVESTMENTS

	2020	2019
Measured at amortized cost		
Guaranteed investment certificate	\$ 409,016	\$ 406,786
Measured at fair value		
Indexed pooled funds:		
Canadian fixed income	455,756	423,064
Canadian equities	274,592	334,343
Foreign equities	94,686	120,969
	\$ 1,234,050	\$ 1,285,162

Consists of:

	2020	2019
Current		
Marketable securities	\$ 1,222,034	\$ 1,273,146
Long-term		
Restricted investments - Day Care expansion	12,016	12,016
	\$ 1,234,050	\$ 1,285,162

3. PROPERTY AND EQUIPMENT

	2020		2019	
	Cost	Accumulated amortization	Net	Net
Equipment	\$ 388,478	\$ 272,425	\$ 116,053	\$ 145,067
Vehicles	161,400	84,995	76,405	10,754
Computer equipment	262,374	192,947	69,427	89,143
Leasehold improvements	445,690	428,743	16,947	35,745
Building	1	-	1	1
	\$ 1,257,943	\$ 979,110	\$ 278,833	\$ 280,710

The building is located at 349 Ontario Street, Toronto, Ontario, and was received from Central Neighbourhood House Trust at the carrying amount of the property, being \$1.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

4. DEFERRED CONTRIBUTIONS

	2020	2019
Government of Canada	\$ 593,050	\$ 57,592
City of Toronto	343,281	77,987
Stroke Survivor	201,537	225,000
Province of Ontario	157,198	122,637
Other programs	100,525	284,178
Refugee support	31,221	62,502
	\$ 1,426,812	\$ 829,896

5. DEFERRED CAPITAL CONTRIBUTIONS

	2020	2019
Balance, beginning of year	\$ 222,134	\$ 201,292
Amortization of deferred contributions	(65,642)	(58,337)
Capital contributions received	-	79,179
	\$ 156,492	\$ 222,134

6. CREDIT FACILITIES

A revolving line of credit to a maximum of \$400,000 is available to the organization. The line of credit bears interest at the bank's prime lending rate, is due on demand and is secured by a general security agreement covering all assets of the organization. As at March 31, 2020, the credit balance amounted to \$Nil.

7. CONTRACTUAL OBLIGATION

The organization's total obligations, under property lease agreements for its existing premises and for software under an operating lease are summarized as follows:

Leased Premises

The organization is obligated under property lease agreements, exclusive of occupancy costs, as follows:

2021	\$ 307,499
2022	307,499
2023	279,248
2024	279,248
2025	279,248
Subsequent years	558,495
	\$ 2,011,237

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

7. CONTRACTUAL OBLIGATION, continued

During each year of the lease of the premises at 3036 Danforth Ave, Toronto, the rental rate will be negotiated based on the market rent for like premises in the local geographic area and shall not exceed the previous year's increase in the Statistics Canada Consumer Price Index for Ontario. This lease expires on March 31, 2027.

The lease at 688 Coxwell Ave., Toronto expires on March 31, 2022.

Software

The organization is obligated to minimum subscription fees under a payroll software agreement as follows:

2021	\$	47,616
2022		47,616
2023		19,840
		<hr/>
	\$	115,072

8. TORONTO CHILDREN'S SERVICES WAGE GRANTS

	General Operating Grant	Provincial Wage Enhancement	Fee Stabilization Support
Deferred from prior years	\$ 74,861	\$ -	\$ -
Received in this fiscal year	299,444	47,796	-
Wage grants expensed in this fiscal year according to the guidelines	(299,444)	(35,357)	-
Wage grants returned to Children's Services this fiscal year	-	(12,439)	-
<hr/>			
Wage grants deferred to future years	\$ 74,861	\$ -	\$ -

Pay Equity 1999-2005 is embedded in the General Operating Grant.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

9. ORGANIZATIONS UNDER SIGNIFICANT INFLUENCE

The organization exercises significant influence over The Neighbourhood Group Foundation and Neighbourhood Link Homes by sharing management and administrative resources. Transactions with The Neighbourhood Group Foundation and Neighbourhood Link Homes are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Neighbourhood Group Foundation was incorporated with a general object to undertake charitable work within Canada, and is a registered charity under the Income Tax Act. Included in accounts receivable is \$286,088 (2019 - \$214,888) owing from The Neighbourhood Group Foundation.

Neighbourhood Link Homes, was incorporated with the object to deal in residential property to provide adequate living accommodation for elderly persons, to provide social and recreational facilities for elderly persons and to promote understanding and undertake problems of the elderly, and is a registered charity under the Income Tax Act. Included in accounts receivable is \$416,125 (2019 - \$155,268) owing from Neighbourhood Link Homes.

10. UNCERTAINTY DUE TO COVID-19

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus (COVID-19). Many businesses and organizations across Canada have been negatively affected by the COVID-19 pandemic and the resulting downturn in the overall economy. The government and public health officials initiated a number of measures to mitigate against the severity and impact of the virus. The organization has implemented a number of these measures to maintain a safe operating environment. The length and severity of the impact on the organization's operations and financial reporting are uncertain and cannot be determined at this time.

11. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relates to accounts and grants receivable and HST rebate receivable.

(b) 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 to its trade accounts payable and accrued liabilities. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations combined with the receipt of monthly subsidies from its funders.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2020

11. FINANCIAL INSTRUMENTS, continued

(c) 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 and other price risk.

(i) 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 market interest rates. Fixed rate instruments subject the organization to a fair value risk while the floating rate instruments subject the organization to cash flow risk. The organization is exposed to this type of risk as a result of its variable rate credit facility and investments in fixed income and equity funds, and guarantee investment certificates. The exposure to these risks also fluctuates as the debts and investments change from year to year.

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments in marketable securities for which the value fluctuates with the quoted market price.

12. SUBSEQUENT EVENT

On April 1, 2020, The Neighbourhood Group Community Services and St. Stephen's Community House, a charitable organization with similar programs and objectives, entered into an agreement to merge operations of the two organizations. The merger has yet to be approved by the City of Toronto in respect of the operation of certain Child Care Centres. Otherwise, the combined organization will continue operating all programs of the predecessor entities as The Neighbourhood Group Community Services.

13. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.
