

**THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2017**

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Financial Statements
March 31, 2017

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AKLER, BROWNING, FRIMET & LANDZBERG LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Directors of The Neighbourhood Group Community Services

We have audited the accompanying financial statements of The Neighbourhood Group Community Services, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and 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 these 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 organization's preparation and fair presentation 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 organization'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 overall 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 not-for-profit 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, 2017, current assets and net assets as at March 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of The Neighbourhood Group Community Services as at March 31, 2017 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.

Akler, Browning, Frimet

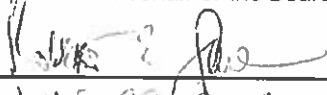
& Landzberg LLP

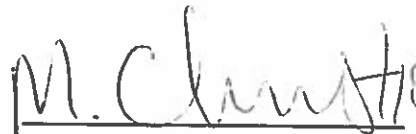
Chartered Accountants
Licensed Public Accountants
Toronto, Canada
June 27, 2017

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Statement of Financial Position
March 31, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents	\$ 471,027	\$ -
Marketable securities (note 2)	689,917	615,031
Accounts receivable (note 10)	754,818	1,144,148
Grants receivable	200,912	87,381
HST rebate receivable	59,055	188,008
Prepays	147,677	174,723
Restricted investments (note 2)	401,121	402,134
Due from Central Neighbourhood House Trust (note 5)	115,390	97,541
Total Current	2,839,917	2,708,966
Restricted investments - Day Care expansion (note 2)	144,718	151,316
Equipment and leasehold improvements (note 3)	155,627	152,701
Total Assets	\$ 3,140,262	\$ 3,012,983
Liabilities		
Current		
Bank indebtedness (note 7)	\$ -	\$ 63,519
Accounts payable and accrued liabilities (note 10)	687,192	614,873
Deferred contributions (note 4)	530,410	380,262
Due to Central Neighbourhood House Trust (note 5)	90,000	90,000
Total Current	1,307,602	1,148,654
Funds held in trust - Day Care expansion	144,718	151,316
Deferred capital contributions (note 6)	102,858	127,934
Total Liabilities	1,555,178	1,427,904
Fund Balance		
Net assets	1,585,084	1,585,079
Total Liabilities and Fund Balance	\$ 3,140,262	\$ 3,012,983

Approved on behalf of the Board:


 Director
 June 27, 2017
 Date


 Director

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Statement of Operations and Changes in Net Assets
Year ended March 31, 2017

	2017	2016
Revenues		
Fees		
Toronto Central Community Care Access Centre	\$ 7,345,776	\$ 6,980,465
City of Toronto	941,352	1,066,237
Fees from users	1,348,225	1,140,712
Grants		
Province of Ontario	6,260,476	5,730,375
City of Toronto	1,270,378	1,202,711
Government of Canada	494,736	246,617
United Way Support	1,185,417	1,153,732
Other		
Other agencies	189,245	277,322
Investment income (loss)	103,015	(7,946)
Amortization of deferred capital funding	48,280	53,576
Donations and fundraising events (note 10)	141,993	787,003
Administration support and rent	106,970	129,238
Foundations	55,220	61,350
Daycare expansion funds	6,598	11,433
Elderly person centre	80,945	86,229
East Toronto Youth Centre	124,800	132,468
Total revenues	19,703,426	19,051,522
Expenditures		
Wages	13,707,257	13,325,982
Benefits	2,887,373	2,907,273
Program expenses	1,199,237	1,001,171
Occupancy costs	733,457	719,295
Travel	395,027	388,997
Purchased services	350,131	300,021
Office and general	253,628	252,574
Amortization	50,350	49,700
Training and development	40,915	37,520
Promotion and publicity	38,563	44,003
Fundraising	23,659	1,066
Volunteer expenses	14,262	15,699
Dues	9,562	8,214
Total expenditures	19,703,421	19,051,515
Excess of revenues over expenditures for the year	5	7
Net assets, beginning of year	1,585,079	1,585,072
Net assets, end of year	\$ 1,585,084	\$ 1,585,079

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Statement of Cash Flows
Year ended March 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 5	\$ 7
Adjustments for non-cash items		
Amortization	50,350	49,700
Amortization of deferred capital contributions	(48,280)	(53,576)
Unrealized (gain) loss on investments	(49,538)	59,887
	(47,463)	56,018
Net change in non-cash working capital items		
Accounts receivable	389,330	(370,671)
Grants receivable	(113,531)	111,776
HST rebate receivable	128,953	(99,894)
Prepays	27,046	(42,280)
Due from Central Neighbourhood House Trust	(17,849)	4,738
Accounts payable and accrued liabilities	72,319	(53,150)
Deferred contributions	150,148	(118,237)
	636,416	(567,718)
Cash Provided by (Used in) Operating Activities	588,953	(511,700)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(53,276)	(9,815)
Purchase of investments, net of disposals	(24,335)	(123,394)
Cash Used in Investing Activities	(77,611)	(133,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank indebtedness	(63,519)	63,519
Receipt of capital contributions	23,204	-
Cash (Used in) Provided by Financing Activities	(40,315)	63,519
Net increase (decrease) in cash and cash equivalents	471,027	(581,390)
Cash and cash equivalents, beginning of year	-	581,390
Cash and cash equivalents, end of year	\$ 471,027	\$ -

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2017

NATURE OF OPERATIONS

On July 1, 2014, the Central Neighbourhood House Association and the Neighbourhood Link Support Services, previously independent organizations, began operating as one organization known as the Neighbourhood Group Community Services. Articles of amalgamation were subsequently approved by the Ministry of Government Services on October 14, 2014.

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 policies are detailed as follows:

(a) Cash and cash equivalents

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash and cash equivalents. Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

(b) Equipment and leasehold improvements

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

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

(c) Impairment of long-lived assets

Equipment and leasehold improvements 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.

(d) 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, 2017

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) 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. Also, the organization acts as administrator of funds for projects undertaken jointly with other agencies. The unexpended balances of such funds are shown as a current asset in the balance sheet.

(f) Deferred capital contributions

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

(g) 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.

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

(h) 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 equipment and leasehold improvements is recognized as donation revenue in the year the equipment and leasehold improvements are donated, if the fair market value can be reasonably estimated.

(i) 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 equipment and leasehold improvements and the impairment of financial assets.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) 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 and cash equivalents, fixed income investments, accounts receivable, grants receivable, HST rebate receivable and amounts due from Central Neighbourhood House Trust.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities and amounts due to Central Neighbourhood House Trust.

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

Impairment

For financial assets measured at cost or 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.

(k) 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, 2017

2. INVESTMENTS

	2017	2016
Measured at amortized cost		
Guaranteed investment certificate	\$ 406,449	\$ 407,411
Measured at fair value		
Indexed pooled funds:		
Canadian fixed income	348,253	327,087
Canadian equities	390,269	349,317
Foreign equities	90,785	84,666
	\$ 1,235,756	\$ 1,168,481

Consists of:

	2017	2016
Current		
Marketable securities	\$ 689,917	\$ 615,031
Restricted investments (note 7)	401,121	402,134
Long-term		
Restricted investments - Day Care expansion	144,718	151,316
	\$ 1,235,756	\$ 1,168,481

3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	2017		2016	
	Cost	Accumulated amortization	Net	Net
Leasehold improvements	\$ 416,671	\$ 342,717	\$ 73,954	\$ 76,251
Equipment	224,584	178,456	46,128	28,525
Vehicles	82,220	55,680	26,540	37,914
Computer equipment	147,470	138,465	9,005	10,011
	\$ 870,945	\$ 715,318	\$ 155,627	\$ 152,701

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Notes to the Financial Statements

March 31, 2017

4. DEFERRED CONTRIBUTIONS

	2017	2016
Stroke Survivor	\$ 225,000	\$ -
Refugee support	121,032	107,824
Other	108,345	104,048
City of Toronto	55,819	168,390
Province of Ontario	20,214	-
	<u>\$ 530,410</u>	<u>\$ 380,262</u>

5. DUE TO/FROM CENTRAL NEIGHBOURHOOD HOUSE TRUST

The Trustees of Central Neighbourhood House Trust ("the Trust") hold real property and certain capital funds acquired from the organization under terms of a trust indenture dated January 17, 1974. The trustees are appointed by the Board of the organization and include past Chairs of the predecessor organization, Central Neighbourhood House Association.

Among other things, the trust indenture directs the Trustees to pay to or apply the annual income of the Trust to or for the benefit of the organization. The balance due from the Trust represents income of the Trust, net of payments to the organization.

In 1996, the organization received a loan from the Trust in the amount of \$125,000. The balance payable to the Trust represents the outstanding balance of this loan.

The amounts due to/from the Trust are non-interest bearing and have no specific terms of repayment. These transactions 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 related parties.

Subsequent to year end, the Trust was wound up and the real property held at the time, located at 349 Ontario Street, Toronto, Ontario, was distributed to the organization. The transaction will be recorded at the carrying amount of the property, being \$1.

6. DEFERRED CAPITAL CONTRIBUTIONS

	2017	2016
Balance, beginning of year	\$ 127,934	\$ 181,510
Amortization of deferred contributions	(48,280)	(53,576)
Capital contributions received	23,204	-
Balance, end of year	<u>\$ 102,858</u>	<u>\$ 127,934</u>

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March 31, 2017

7. CREDIT FACILITIES

	2017	2016
Cheques in excess of cash	\$ -	\$ 33,741
Revolving line of credit	-	29,778
	\$ -	\$ 63,519

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 guaranteed investment certificate in the amount of \$400,000 (note 2).

8. CONTRACTUAL OBLIGATION

The organization's total obligation, under property lease agreements, exclusive of occupancy costs, is as follows:

2018	\$ 284,463
2019	269,147
2020	267,755
2021	267,755
2022	267,755
Subsequent years	1,197,520
	\$ 2,554,395

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 of the premises at 143A Stephenson Ave., Toronto, requires the payment of additional rent, not reflected in the minimum commitment as described above, calculated as the total monthly RGI and market rents collected from the sublettor tenants. This lease expires May 1, 2018.

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

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2017

9. TORONTO CHILDREN'S SERVICES WAGE SUBSIDIES

		Wage Subsidy	Pay Equity	Wage Improvement	Provincial Wage Enhancement
Deferred from prior years	\$	-	\$ -	\$ -	\$ -
Received in this fiscal year		89,914	27,898	14,720	40,639
Wage subsidies expensed in this year according to Day Nurseries Act (Ontario regulation 262, Section 1)		(89,914)	(27,898)	(14,720)	(40,639)
Wage subsidies returned to Children's Services this fiscal year		-	-	-	-
Wage subsidies deferred to future years	\$	-	\$ -	\$ -	\$ -

10. ORGANIZATIONS UNDER SIGNIFICANT INFLUENCE

The organization exercises significant influence over The Neighbourhood Group Foundation (formerly Senior Link Foundation) and Neighbourhood Link Homes by sharing management and administrative resources. Transactions with The Neighbourhood Group Foundation (formerly Senior Link 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 (formerly Senior Link Foundation) was incorporated with a general object to undertake charitable work within Canada. The Neighbourhood Group Foundation (formerly Senior Link Foundation) is a registered charity under the Income Tax Act. Included in donations and fundraising events are revenues received from The Neighbourhood Group Foundation (formerly Senior Link Foundation) amounting to \$NIL (2016 - \$510,252). Included in accounts receivable is \$NIL (2016 - \$420,579) and accounts payable and accrued liabilities is \$9,569 (2016 - \$NIL) owing to/from The Neighbourhood Group Foundation (formerly Senior Link 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. Neighbourhood Link Homes is a registered charity under the Income Tax Act. Included in donations and fundraising events are revenues received from Neighbourhood Link Homes amounting to \$NIL (2016 - \$150,000). Included in accounts receivable is \$207,208 (2016 - \$150,000) owing from Neighbourhood Link Homes.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2017

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. The organization assesses, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive. Approximately 31% of the accounts and grants receivable are from a single funder (2016 - 18%).

(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.

(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 bonds, marketable securities 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. 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.
