

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

**Financial Statements**

**Years ended December 31, 2018 and 2017**

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

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**Year Ended December 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

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

### ***Qualified Opinion***

We have audited the financial statements of MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA

INC. (the "Organization"), which comprise:

- the statements of financial position as at December 31, 2018 and 2017
- the statements of changes in net assets for the years then ended
- the statements of revenues and expenditures for the years then ended
- the statements of cash flows for the years 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 auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018 and 2017, and its results of operations and its cash flows for the years 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, and the predecessor auditor, were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, and to current assets and net assets as at December 31, 2018 and 2017.

The predecessor auditor's opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audits 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



### ***Other Matter***

The financial statements of MADA COMMUNITY CENTER INC./CENTRE COMMUNAUTAIRE MADA INC. for the year ended December 31, 2017 were audited by another auditor who expressed a qualified opinion on those financial statements on April 12, 2018 due to the matter described in the Basis for Qualified Opinion section.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

### ***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.

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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Mont-Royal, Canada

March 12, 2019

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

**Statements of Financial Position**

**December 31, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 279,304	\$ 670,999
Sales taxes receivable	15,114	118,197
Loan receivable	-	18,596
Prepaid expenses and deposits	8,284	6,234
	<b>302,702</b>	814,026
<b>CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE (Note 3)</b>	<b>6,033,715</b>	5,871,998
	<b>\$ 6,336,417</b>	<b>\$ 6,686,024</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank loan (Note 4)	\$ 221,475	\$ 344,950
Accounts payable	163,531	543,481
Loan payable	-	18,596
Current portion of long-term debt (Note 5)	97,786	94,833
Current portion of obligations under capital lease (Note 6)	16,728	16,045
Due to related parties (Note 7)	221,593	-
	<b>721,113</b>	1,017,905
<b>LONG-TERM DEBT (Note 5)</b>	<b>2,215,399</b>	2,313,192
<b>OBLIGATIONS UNDER CAPITAL LEASE (Note 6)</b>	<b>25,216</b>	41,897
<b>DUE TO RELATED PARTIES (Note 7)</b>	<b>-</b>	221,593
	<b>2,961,728</b>	3,594,587
<b>NET ASSETS</b>		
Unrestricted net assets	(303,897)	(314,594)
Net assets invested in capital assets and assets under capital lease	3,678,586	3,406,031
	<b>3,374,689</b>	3,091,437
	<b>\$ 6,336,417</b>	<b>\$ 6,686,024</b>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See notes to financial statements

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

**Statements of Changes in Net Assets**

**Years Ended December 31, 2018 and 2017**

	Unrestricted	Net assets invested in capital assets and assets under capital lease	2018	2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ (314,594)	\$ 3,406,031	\$ <b>3,091,437</b>	\$ 2,096,572
EXCESS OF REVENUES OVER				
EXPENSES	536,751	(253,499)	<b>283,252</b>	994,865
Purchase of capital assets	(415,216)	415,216	-	-
Repayment of long-term debt and capital lease obligations	(110,838)	110,838	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ (303,897)	\$ 3,678,586	\$ <b>3,374,689</b>	\$ 3,091,437

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

**Statements of Revenues and Expenditures**

**Years Ended December 31, 2018 and 2017**

	2018	2017
<b>REVENUES</b>		
Retail sales	\$ 168,620	\$ 63,049
Monetary donations	2,578,869	3,597,164
Subsidies and grants	253,847	316,772
Resale of donated goods	58,193	72,585
Interest income	68	-
Donation of goods	992,964	639,691
Other income	260,000	50,000
	<b>4,312,561</b>	<b>4,739,261</b>
<b>DIRECT EXPENDITURES</b>		
Fundraising	3,708	89,051
Food and kitchen supplies	387,226	383,503
Activities and special programs	132,773	153,066
Distribution of donated goods	992,964	639,691
Retail store expenses	6,028	18,442
	<b>1,522,699</b>	<b>1,283,753</b>
<b>EXPENSES</b>		
Advertising and promotion	53,433	90,708
Amortization	253,499	243,152
Insurance	32,288	35,331
Bank charges	13,399	15,800
Interest on current financial liabilities	13,123	23,125
Interest on long term financial liabilities	76,212	78,406
Office	33,181	21,220
Postage and courier	33,707	29,133
Professional fees	29,809	32,789
Rent	219,466	184,277
Repairs and maintenance	166,633	132,109
Salaries and wages	1,364,660	1,362,114
Taxes and licenses	34,006	26,161
Telephone	14,793	14,121
Transport, freight and automotive	71,081	91,740
Utilities	97,458	82,750
Foreign exchange	(138)	(2,293)
	<b>2,506,610</b>	<b>2,460,643</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 283,252</b>	<b>\$ 994,865</b>

See notes to financial statements



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

**Statements of Cash Flows**

**Years Ended December 31, 2018 and 2017**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 283,252	\$ 994,865
Item not affecting cash:		
Amortization of capital assets and assets under capital lease	253,499	243,152
	<b>536,751</b>	1,238,017
Changes in non-cash working capital:		
Sales taxes receivable	103,083	(38,619)
Prepaid expenses and deposits	(2,050)	10,196
Accounts payable	(379,950)	170,176
	<b>(278,917)</b>	141,753
Cash flow from operating activities	<b>257,834</b>	1,379,770
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(415,216)	(762,200)
Loan receivable	18,596	(18,596)
Cash flow used by investing activities	<b>(396,620)</b>	(780,796)
<b>FINANCING ACTIVITIES</b>		
Bank loan	(123,475)	(201,000)
Loan payable	(18,596)	18,596
Due to related parties	-	6,493
Repayments of long-term debt	(94,840)	(91,975)
Repayments of capital lease obligations	(15,998)	(17,064)
Cash flow used by financing activities	<b>(252,909)</b>	(284,950)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(391,695)</b>	314,024
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<b>670,999</b>	356,975
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 279,304</b>	<b>\$ 670,999</b>

Cash and cash equivalents consists of cash in bank.

# MADA COMMUNITY CENTER INC. CENTRE COMMUNAUTAIRE MADA INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

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### 1. CHARTER AND PURPOSE OF THE ORGANIZATION

CENTRE COMMUNAUTAIRE MADA INC./MADA COMMUNITY CENTER INC. (the "Organization") is a not-for-profit organization incorporated under Part II of the *Canada 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 homegood distribution and a retail location. With the exception of government grants, the Organization's contributions originate from corporate and private donations.

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### 2. ACCOUNTING POLICIES

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

#### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and 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. The main estimates relate to the useful life of capital assets and assets under capital lease and the value of donation of goods and distribution of donated goods.

#### Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from the retail sales and resale of donated goods is recognized when title to the goods pass to the customer and payment is received.

Other income is recognized as revenue when received.

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# MADA COMMUNITY CENTER INC. CENTRE COMMUNAUTAIRE MADA INC.

## Notes to Financial Statements

Years Ended December 31, 2018 and 2017

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### 2. ACCOUNTING POLICIES *(continued)*

#### Financial instruments

##### *Initial and subsequent measurement*

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost.

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

Financial liabilities measured at amortized cost on a straight-line basis include bank loan, accounts payable, long-term debt and due to related parties.

##### *Transaction costs*

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in income over the life of the instrument using the straight-line method.

#### Cash and cash equivalents

The Organization's policy is to present bank balances under cash and cash equivalents.

#### Capital assets and assets under capital lease

Capital assets and assets under capital lease are accounted for at cost and amortized on the basis of their useful life at the following using the declining balance method and the following rates:

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

#### Impairment of Long-Lived Assets

Capital assets and assets under capital lease are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

#### Contributed goods and services

The operations of the Organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials is recorded in the financial statements when it can be reasonably estimated. The fair value of the contribution of time by volunteers cannot be reasonably determined and is therefore not reflected in these financial statements.

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

**Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

3. CAPITAL ASSETS AND ASSETS UNDER CAPITAL LEASE

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Building	6,181,425	769,031	5,412,394	5,230,371
Furniture and fixtures	91,837	35,134	56,703	51,384
Rolling stock	200,426	182,619	17,807	25,438
Computer equipment	18,954	9,196	9,758	11,872
Computer software	9,948	7,048	2,900	4,143
	<b>\$ 7,002,590</b>	<b>\$ 1,003,028</b>	<b>\$ 5,999,562</b>	<b>\$ 5,823,208</b>

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Rolling stock under capital lease	\$ 82,000	\$ 47,847	\$ 34,153	\$ 48,790
Total capital assets and assets under capital lease	<b>\$ 7,084,590</b>	<b>\$ 1,050,875</b>	<b>\$ 6,033,715</b>	<b>\$ 5,871,998</b>

4. BANK LOAN

The loan is payable on demand and bears interest at prime plus 0.5%. The loan is secured by land and building having a net carrying amount of \$5,912,394.

5. LONG-TERM DEBT

	2018	2017
Mortgage loan, repayable in monthly instalments of \$13,953, including interest at a rate of 3.07%, maturing in December 2021, secured by land and building having a net carrying amount of \$5,912,394.	\$ 2,313,185	\$ 2,408,025
Amounts payable within one year	(97,786)	(94,833)
	<b>\$ 2,215,399</b>	<b>\$ 2,313,192</b>

Principal repayment terms are approximately:

2019	\$ 97,786
2020	100,833
2021	2,114,566
	<b>\$ 2,313,185</b>

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

**Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

6. OBLIGATIONS UNDER CAPITAL LEASE

	2018	2017
Rolling stock lease payable in monthly lease payments excluding sales taxes of \$1,528 including interest at 4.5% per annum, maturing in May 2021.	\$ 41,944	\$ 57,942
Amounts payable within one year	<b>(16,728)</b>	<b>(16,045)</b>
	<b>\$ 25,216</b>	<b>\$ 41,897</b>

Future minimum capital lease payments are approximately:

2019	\$ 18,333
2020	18,333
2021	7,639
	<u>44,305</u>
Interest included in minimum lease payments	<u>(2,361)</u>
	<u>\$ 41,944</u>

7. DUE TO RELATED PARTIES

	2018	2017
Due to a director	\$ 138,000	\$ 138,000
Due to an organization under common control	83,593	83,593
	<b>221,593</b>	<b>221,593</b>
Less: current portion	<b>(221,593)</b>	<b>-</b>
Long-term portion	<b>\$ -</b>	<b>\$ 221,593</b>

The loans are unsecured, non-interest bearing and have not specific terms of repayment.

8. VALUE OF DONATED GOODS

The Organization receives numerous donations of goods, but these financial statements only include the value of goods for which charitable receipts were issued.

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

**Notes to Financial Statements**

**Years Ended December 31, 2018 and 2017**

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9. CONTRACTUAL OBLIGATIONS

The Organization has two long-term leases expiring on October 31, 2021 and March 31, 2022.

Future minimum base lease payments (excluding taxes) are:

2019	\$	197,780
2020		199,346
2021		99,708
2022		11,038
		<hr/>
		\$ 507,872

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The lease ending on October 31, 2022 also requires monthly additional payments of \$18,000 per annum, not included above, which are increased annually commencing on November 1, 2018 and thereafter based on the increases in property and municipal taxes over 2017.

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10. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its bank loan, long-term debt, due to related parties and accounts payable.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Some of the Organization's financial instruments expose it to this risk, which comprises interest rate risk.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the Organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the Organization to changes in related future cash flows.

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