

Financial Statements of

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

Year ended December 31, 2022

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

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INDEPENDENT AUDITOR'S 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 statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2022 and December 31, 2021
- the fundraising revenues and (deficiency) excess of revenues over expenditures reported in the statements of revenues and expenditures for the years ended December 31, 2022 and December 31, 2021
- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2022 and December 31, 2021
- the (deficiency) excess of revenues over expenditures reported in the statements of cash flows for the years ended December 31, 2022 and December 31, 2021.

Our opinion on the financial statements for the year ended December 31, 2021 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.



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We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management 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.

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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP**

Mont-Royal, Canada

June 21, 2023

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 676,733	\$ 1,494,505
Term deposits	500,000	-
Marketable securities	1,141	19,909
Sales taxes receivable	34,099	23,490
Accounts receivable	14,958	202,992
Prepaid expenses and deposits	5,672	5,723
Assets held in trust (note 2)	484,624	-
	<u>1,717,227</u>	<u>1,746,619</u>
Capital assets and assets under capital lease (note 3)	6,033,074	6,096,524
	<u>\$ 7,750,301</u>	<u>\$ 7,843,143</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 418,794	\$ 303,018
Liabilities held in trust (note 2)	484,624	-
Callable debt (note 5)	2,056,396	-
Current portion of long-term debt (note 6)	14,562	2,076,262
Current portion of obligations under capital lease	-	1,779
Current portion of deferred contributions (note 7)	27,984	67,143
	<u>3,002,360</u>	<u>2,448,202</u>
Long-term debt (note 6)	25,762	40,397
Deferred contributions (note 7)	84,367	112,351
	<u>3,112,489</u>	<u>2,600,950</u>
Net assets:		
Unrestricted	647,340	1,209,989
Invested in capital assets and assets under capital lease	3,990,472	4,032,204
	<u>4,637,812</u>	<u>5,242,193</u>
Subsequent event (note 5)		
Commitments (note 9)		
	<u>\$ 7,750,301</u>	<u>\$ 7,843,143</u>

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenues:		
Monetary donations	\$ 3,859,973	\$ 4,013,670
Donation of goods	1,364,397	1,501,215
Subsidies and grants	398,938	481,768
Resale of donated goods	42,485	38,526
Interest income	115	1
	<u>5,665,908</u>	<u>6,035,180</u>
Direct expenditures:		
Distribution of donated goods	1,305,552	1,479,879
Food and kitchen supplies	1,153,742	983,688
Activities and special programs	302,366	155,925
Fundraising	93,893	58,491
	<u>2,855,553</u>	<u>2,677,983</u>
	2,810,355	3,357,197
Expenses:		
Salaries and wages	2,004,228	1,932,780
Amortization of capital assets and assets under capital lease	307,442	291,358
Rent	187,082	184,634
Repairs and maintenance	185,334	175,263
Advertising and promotion	162,825	164,010
Transport, freight and automotive	123,863	76,239
Utilities	102,142	93,833
Professional fees	61,270	25,706
Insurance	53,280	46,272
Interest on callable and long-term debt	51,151	67,499
Postage and courier	39,040	38,591
Taxes and licenses	36,420	37,581
Telephone	30,026	25,018
Office	29,795	29,208
Bank charges	25,399	25,085
Life insurance	15,229	-
Foreign exchange loss	1,233	42
	<u>3,415,759</u>	<u>3,213,119</u>
(Deficiency) excess of revenues over expenses before the undernoted	(605,404)	144,078
Other (income) expense:		
(Gain) loss on disposal of investments	(1,023)	325
(Deficiency) excess of revenues over expenditures	\$ (604,381)	\$ 143,753

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

	Unrestricted	Net assets invested in capital assets and assets under capital lease	Total 2022	Total 2021
Net assets, beginning of year	\$ 1,209,989	\$ 4,032,204	\$ 5,242,193	\$ 5,098,440
(Deficiency) excess of revenues over expenditures	(296,939)	(307,442)	(604,381)	143,753
Purchase of capital assets	(205,741)	205,741	-	-
Donated capital assets	(38,251)	38,251	-	-
Repayment of long-term debt and capital lease obligations	(21,718)	21,718	-	-
Net assets, end of year	\$ 647,340	\$ 3,990,472	\$ 4,637,812	\$ 5,242,193

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenues over expenditures	\$ (604,381)	\$ 143,753
Items not involving cash:		
Amortization of capital assets and assets under capital lease	307,442	291,358
Amortization of deferred capital contributions	(67,143)	(21,844)
(Gain) loss on disposal of investments	(1,023)	325
Donation of goods	(1,364,397)	(1,501,215)
Distribution of donated goods	1,305,552	1,479,879
Changes in non-cash operating working capital:		
Sales taxes receivable	(10,609)	(3,954)
Accounts receivable	188,034	(127,473)
Prepaid expenses and deposits	51	(312)
Accounts payable	115,776	59,036
Contributions granted	-	121,321
Contributions received	-	80,017
	(130,698)	520,891
Financing:		
Increase in callable debt	2,056,396	54,118
Repayment of obligations under capital lease	(1,779)	(17,938)
Repayment of long-term debt	(2,076,335)	(103,471)
	(21,718)	(67,291)
Investing:		
Purchase of capital assets	(205,741)	(169,029)
Marketable securities	40,385	30
Increase in term deposits	(500,000)	-
	(665,356)	(168,999)
Net (decrease) increase in cash	(817,772)	284,601
Cash, beginning of year	1,494,505	1,209,904
Cash, end of year	\$ 676,733	\$ 1,494,505

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

Year ended December 31, 2022

Mada Community Center Inc. / Centre Communautaire Mada inc. (the "Organization") is a not-for-profit organization incorporated under Part II of the *Canada Business Corporations Act* on June 9, 2009 and continued under the *Canada Not-for-profit Corporations Act* on September 30, 2014. The Organization is a registered charity and is exempt from the payment of income taxes under the *Income Tax Act*.

The Organization operates to serve the needs of the community by providing food, clothing and other essential services. It also maintains a food bank, used clothing and home-goods distribution. With the exception of government grants, the Organization's contributions originate from corporate and private donations.

1. Accounting policies:

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

(a) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

(b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions.

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

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

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

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Accounting policies (continued):

(c) Assets and liabilities held in trust:

The Organization acts as a custodian of assets which are held in trust. Income (loss) earned on assets held in trust is recognized as a direct increase (decrease) in liabilities held in trust. Additions to (withdrawals from) assets held in trust are recognized as direct increases (decreases) in liabilities held in trust.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Accounting policies (continued):

(e) Capital assets and assets under capital lease:

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

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

(f) 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.

(g) 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 the financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Assets held in trust:

Assets held in trust comprise the following:

	2022		2021	
	Cost	Market value	Cost	Market value
Shares of publicly traded corporations	\$ 390,977	\$ 484,624	\$ -	\$ -

3. Capital assets and assets under capital lease:

	2022		2021	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 662,160	\$ -	\$ 662,160	\$ 662,160
Building	6,595,343	1,632,596	4,962,747	5,157,788
Furniture and fixtures	334,295	112,459	221,836	83,196
Vehicles	464,231	316,288	147,943	164,899
Computer equipment	27,487	17,891	9,596	3,347
Computer software	23,122	11,227	11,895	995
Rolling stock under capital lease	111,830	94,933	16,897	24,139
	\$ 8,218,468	\$ 2,185,394	\$ 6,033,074	\$ 6,096,524

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2022 are government remittances payable of \$6,001 (2021 - \$4,322).

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Callable debt:

	2022	2021
Demand instalment loan of an amount of \$2,100,000 obtained in January 2022, payable in monthly payments of \$8,875 (principal and interest blended), with a final payment of \$2,034,378 on March 30, 2023, bearing interest at a fixed rate of 1.975%	\$ 2,056,396	\$ -

The demand instalment loan is secured by a movable hypothec of \$3,000,000 on the following universalities of movable property of the borrower, present and future of all claims, equipment, intellectual property and securities, as well as by an immovable hypothec of \$2,500,000 on the land and building. As at December 31, 2022, the net carrying amount of the assets pledged as collateral totaled \$6,083,272.

In addition to the demand instalment loan, the Organization has an available authorized non-revolving credit facility up to a maximum of \$400,000, bearing interest at the bank's prime rate (6.45% as at December 31, 2022) and an available authorized revolving line of credit facility up to a maximum of \$100,000, bearing interest at the bank's prime rate (6.45% as at December 31, 2022). These facilities were not utilized as at December 31, 2022.

The Organization is required to maintain a financial ratio. As at December 31, 2022, the Organization was not in compliance with the financial ratio for which a waiver was not requested or obtained.

Subsequent to year-end, the demand instalment loan facility was renewed under the following terms: bearing interest at a fixed rate of 5.966% and reimbursable by 12 monthly payments of \$13,303 (principal and interest blended), with a final payment of \$1,995,046 due on March 30, 2024.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Long-term debt:

	2022	2021
Loan bearing interest at a fixed rate of 3.69%, reimbursable in 104 bi-weekly instalments of \$560 commencing in December 2021, maturing in November 2025	\$ 40,324	\$ 53,224
Mortgage loan, bearing interest at a fixed rate of 3.07%, reimbursable by monthly instalments of \$13,953. The loan was secured by a \$3,700,000 principal hypothec and an additional hypothec of \$200,000 on the Organization's land and buildings	-	2,063,435
	40,324	2,116,659
Amounts payable within one year	14,562	2,076,262
	\$ 25,762	\$ 40,397

Principal repayments are due as follows:

2023	\$ 14,562
2024	14,562
2025	11,200
	\$ 40,324

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Deferred contributions:

The balance of deferred contributions consists of the following:

	2022	2021
Unamortized capital contributions to purchase capital assets	\$ 112,351	\$ 72,348
Unspent contributions for the purchase of capital assets	-	67,146
Unspent contributions related to expenses of future periods	-	40,000
	112,351	179,494
Less current portion of deferred contributions	(27,984)	(67,143)
	\$ 84,367	\$ 112,351

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

	2022	2021
Balance, beginning of year	\$ 179,494	\$ -
Contributions granted	-	121,321
Contributions received	-	80,017
Less amortization of deferred contributions recognized as revenue	(67,143)	(21,844)
	\$ 112,351	\$ 179,494

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 (continued)

Year ended December 31, 2022

9. Commitments:

The Organization has long-term lease agreements with respect to its buildings. Future minimum lease payments are as follows:

2023	\$	178,901
2024		146,651
2025		146,651
2026		36,665
		<hr/>
		\$ 508,868

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 refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its callable and long-term debt and accounts payable and accrued liabilities (exclusive of government remittances payable). There has been no change to the risk exposures from 2021.

(b) Market risk:

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

(c) Interest rate risk:

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