

Outstanding item:
- Amendment to the credit facility pending from CIBC -
see note 6

DRAFT Financial Statements of

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

Year ended December 31, 2023

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

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MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Financial Position

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December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 324,149	\$ 676,733
Term deposits	-	500,000
Marketable securities	-	1,141
Sales taxes receivable	8,641	34,099
Accounts receivable	45,654	14,958
Prepaid expenses and deposits	17,201	5,672
Assets held in trust (note 3)	510,646	484,624
	906,291	1,717,227
Capital assets and assets under capital lease (note 4)	5,883,399	6,033,074
	\$ 6,789,690	\$ 7,750,301
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 578,774	\$ 418,794
Liabilities held in trust (note 3)	510,646	484,624
Callable debt (note 6)	2,008,418	2,056,396
Current portion of long-term debt (note 7)	14,562	14,562
Current portion of deferred contributions (note 7)	24,610	27,984
	3,137,010	3,002,360
Long-term debt (note 7)	11,200	25,762
Deferred contributions (note 8)	220,900	84,367
	3,369,110	3,112,489
Net assets (deficiency):		
Unrestricted	(488,510)	647,340
Invested in capital assets and assets under capital lease	3,909,090	3,990,472
	3,420,580	4,637,812
Going concern (note 1)		
Subsequent event (note 6)		
Commitments (note 9)		
	\$ 6,789,690	\$ 7,750,301

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Operations

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Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenues:		
Monetary donations	\$ 3,922,626	\$ 3,859,973
Donation of goods	903,598	1,364,397
Subsidies and grants	287,703	398,938
Resale of donated goods	32,875	42,485
Interest income	12,471	115
Gain on disposal of investments	467	1,023
	<u>5,159,740</u>	<u>5,666,931</u>
Direct expenditures:		
Food and kitchen supplies	1,226,733	1,153,742
Distribution of donated goods	824,783	1,305,552
Activities and special programs	390,165	302,366
Fundraising	197,982	93,893
	<u>2,639,663</u>	<u>2,855,553</u>
	<u>2,520,077</u>	<u>2,811,378</u>
Expenses:		
Salaries and wages	2,012,553	2,004,228
Amortization of capital assets and assets under capital lease	310,694	307,442
Advertising and promotion	250,563	162,825
Rent	209,698	187,082
Repairs and maintenance	195,626	185,334
Professional fees	125,697	61,270
Transport, freight and automotive	118,816	123,863
Interest on callable and long-term debt	99,586	51,151
Utilities	90,578	102,142
Insurance	67,291	53,280
Office	54,042	29,795
Bank charges	39,076	25,399
Taxes and licenses	38,356	36,420
Telephone	36,314	30,026
Life insurance	35,701	15,229
Postage and courier	34,650	39,040
Provision for sales tax	16,969	-
Foreign exchange loss	1,099	1,233
	<u>3,737,309</u>	<u>3,415,759</u>
Excess of expenses over revenues	\$ (1,217,232)	\$ (604,381)

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Changes in Net Assets

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Year ended December 31, 2023, with comparative information for 2022

	Unrestricted	Net assets invested in capital assets and assets under capital lease	Total 2023	Total 2022
Balance, beginning of year	\$ 647,340	\$ 3,990,472	\$ 4,637,812	\$ 5,242,193
Excess of expenses over revenues	(906,538)	(310,694)	(1,217,232)	(604,381)
Purchase of capital assets	(122,972)	122,972	-	-
Donated capital assets	(43,800)	43,800	-	-
Repayment of long-term debt and capital lease obligations	(62,540)	62,540	-	-
Balance, end of year	\$ (488,510)	\$ 3,909,090	\$ 3,420,580	\$ 4,637,812

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Statement of Cash Flows

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Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess of expenses over revenues	\$ (1,217,232)	\$ (604,381)
Items not involving cash:		
Amortization of capital assets and assets under capital lease	310,694	307,442
Amortization of deferred capital contributions	(31,359)	(67,143)
Gain on disposal of investments	(467)	(1,023)
Donation of goods	(903,598)	(1,364,397)
Distribution of donated goods	824,783	1,305,552
Changes in non-cash operating working capital:		
Sales taxes receivable	25,458	(10,609)
Accounts receivable	(30,696)	188,034
Prepaid expenses and deposits	(11,529)	51
Accounts payable	159,980	115,776
Contributions received	164,518	-
	(709,448)	(130,698)
Financing:		
Increase in callable debt	-	2,056,396
Repayment of obligations under capital lease	-	(1,779)
Repayment of long-term debt	(14,562)	(2,076,335)
Repayment of callable debt	(47,978)	-
	(62,540)	(21,718)
Investing:		
Purchase of capital assets	(117,219)	(205,741)
Marketable securities	36,623	40,385
Decrease (increase) in term deposits	500,000	(500,000)
	419,404	(665,356)
Net decrease in cash	(352,584)	(817,772)
Cash, beginning of year	676,733	1,494,505
Cash, end of year	\$ 324,149	\$ 676,733

See accompanying notes to financial statements.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements

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Year ended December 31, 2023

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. Going concern:

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations on a going concern basis. The going concern assumption assumes that the Organization will continue its operations in the foreseeable future and will be able to realize its assets and meet its obligations in the normal course of its operations. For the year ended December 31, 2023, the Organization incurred an excess of expenses over revenues of \$1,217,232, had negative cash flows from operations of \$709,448 and its current liabilities exceeded its current assets by \$2,230,719. In addition, the Organization has breached a financial covenant for callable debt (note 6).

The ability of the Organization to continue as a going concern is dependent upon the continued support from its donors and bankers and on its ability to restore and maintain operations resulting in excess of revenues over expenditures in the future. Some of these elements depend on a number of factors that are not all under the control of the Organization, and these conditions indicate existence of a material uncertainty that could cast significant doubt about the Organization's ability to continue as a going concern.

In the longer term, the Organization cannot be certain that cash generated from its operations will be sufficient to satisfy its liquidity requirements and it may need to continue to raise funding by disposing capital assets and/or by obtaining credit facilities. No assurance can be given that any such additional funding will be available or that, if available, it can be obtained on terms favourable to the Organization.

These financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments may be necessary to the carrying amount of the assets, the reported revenues and expenses, and statement of financial position classifications.

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

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Year ended December 31, 2023

2. 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.

Revenues from donated goods and donation of goods are recognized when persuasive evidence of arrangement exists, delivery has occurred, price is fixed or determinable and collection is reasonably assured.

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Notes to Financial Statements (continued)

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Year ended December 31, 2023

2. 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 impairment charge.

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Notes to Financial Statements (continued)

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Year ended December 31, 2023

2. 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 and if it would have had otherwise acquire these goods for its normal operations.

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Notes to Financial Statements (continued)

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Year ended December 31, 2023

3. Assets held in trust:

Assets held in trust comprise the following:

		2023		2022	
	Cost	Market value	Cost	Market value	
Shares of publicly traded corporations	\$ 391,682	\$ 510,646	\$ 391,682	\$ 484,624	

4. Capital assets and assets under capital lease:

		2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value	
Land	\$ 662,160	\$ -	\$ 662,160	\$ 662,160	
Building	6,675,023	1,832,700	4,842,323	4,962,747	
Furniture and fixtures	371,836	160,580	211,256	221,836	
Vehicles	508,031	367,241	140,790	147,943	
Computer equipment	27,487	20,770	6,717	9,596	
Computer software	23,122	14,796	8,326	11,895	
Rolling stock under capital lease	111,829	100,002	11,827	16,897	
	\$ 8,379,488	\$ 2,496,089	\$ 5,883,399	\$ 6,033,074	

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2023 are government remittances payable of \$7,243 (2022 - \$6,001).

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

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Year ended December 31, 2023

6. Callable debt:

	2023	2022
Demand instalment loan of an amount of \$2,100,000 obtained in January 2022, payable in monthly payments of \$13,303 (principal and interest blended), with a final payment of \$1,995,046 on March 30, 2024, bearing interest at a fixed rate of 5.966%	\$ 2,008,418	\$ 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, 2023, the net carrying amount of the assets pledged as collateral totaled \$5,954,663.

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 (7.20% as at December 31, 2023) and an available authorized revolving line of credit facility up to a maximum of \$100,000, bearing interest at the bank's prime rate (7.20% as at December 31, 2023). These facilities were not utilized as at December 31, 2023.

The Organization is required to maintain a financial ratio. As at December 31, 2023, 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 X% and reimbursable by 12 monthly payments of \$____ (principal and interest blended), with a final payment of \$____ due on _____, 2025.

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Notes to Financial Statements (continued)

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Year ended December 31, 2023

7. Long-term debt:

	2023	2022
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	\$ 25,762	\$ 40,324
Amounts payable within one year	14,562	14,562
	\$ 11,200	\$ 25,762

Principal repayments are due as follows:

2024	\$ 14,562
2025	11,200
	\$ 25,762

MADA COMMUNITY CENTER INC. / CENTRE COMMUNAUTAIRE MADA INC.

Notes to Financial Statements (continued)

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Year ended December 31, 2023

8. Deferred contributions:

The balance of deferred contributions consists of the following:

	2023	2022
Unamortized capital contributions to purchase capital assets	\$ 167,357	\$ 112,351
Unspent contributions for the purchase of capital assets	4,636	-
Unspent contributions related to expenses of future periods	73,517	-
	245,510	112,351
Less current portion of deferred contributions	(24,610)	(27,984)
	\$ 220,900	\$ 84,367

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 and expenses. The amortization of capital contributions is recorded as subsidies and grants in the statement of operations.

	2023	2022
Balance, beginning of year	\$ 112,351	\$ 179,494
Contributions received	164,518	-
Less contributions for expenses of the current year recognized as revenue	(3,983)	-
Less amortization of deferred contributions recognized as revenue	(27,376)	(67,143)
	\$ 245,510	\$ 112,351

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Notes to Financial Statements (continued)

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Year ended December 31, 2023

9. Commitments:

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

2024	\$	214,286
2025		162,767
2026		52,781
2027		16,116
2028		13,430
		\$ 459,380

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 2022.

(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. There has been no change to the risk exposures from 2022.

(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. There has been no change to the risk exposures from 2022.