

**Love Your Neighbour Communities**  
**Financial Statements**  
**Period Ended September 30, 2022**



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## INDEPENDENT AUDITORS' REPORT

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To the Directors of Love Your Neighbour Communities

### **Qualified Opinion**

We have audited the financial statements of Love Your Neighbour Communities, which comprise the statement of financial position as at September 30, 2022, and the statement of operations, changes in net assets and cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Love Your Neighbour Communities as at September 30, 2022, and the results of its operations and its cash flows for the period 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, Love Your Neighbour Communities derives revenue from donations, 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 Love Your Neighbour Communities. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations, (deficiency) of revenue over expenses, and cash flows from operations for the period ended September 30, 2022, and current assets and net assets as at September 30, 2022. Our audit opinion on the financial statements for the period ended September 30, 2022 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Love Your Neighbour Communities in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 audit 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 Love Your Neighbour Communities' 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 Love Your Neighbour Communities' financial reporting process.

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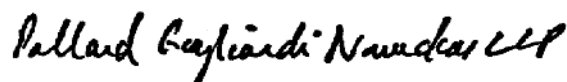
### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Love Your Neighbour Communities' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Love Your Neighbour Communities' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause Love Your Neighbour Communities 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.



**Waterloo, Ontario  
January 18, 2023**

**Pollard Gagliardi Navickas LLP  
Chartered Professional Accountants  
Licensed Public Accountants**

**Love Your Neighbour Communities**  
**Statement of Financial Position**  
As at September 30, 2022

	2022
	\$
<b>Assets</b>	
Current	
Cash	415,927
Deposits on building	48,908
Prepaid expenses	825
	<b>465,660</b>
<b>Liabilities</b>	
Current	
Accounts payable and accrued charges	19,357
Deferred grant revenue	28,000
Current portion of long-term debt	150,000
	<b>197,357</b>
Long-term debt	
Due to related parties (Note 4)	131,000
Loans payable (Note 5)	304,000
Less: current portion	(150,000)
	<b>285,000</b>
	<b>482,357</b>
<b>Net assets</b>	
(Deficit)	<b>(16,697)</b>
	<b>465,660</b>

Approved on Behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**Love Your Neighbour Communities**  
**Statement of Changes in Net Assets**  
**Period Ended September 30, 2022**

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	2022
	\$
<b>Net assets, beginning of period</b>	<b>0</b>
(Deficit) of revenue over expenditures	<b>(16,697)</b>
<b>Deficit, end of period</b>	<b>(16,697)</b>

**Love Your Neighbour Communities**  
**Statement of Operations**  
**Period Ended September 30, 2022**

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	2022
	\$
<b>Revenue</b>	
Donations	<b>16,693</b>
<b>Expenses</b>	
Professional fees	31,472
Insurance	1,170
Interest on loans payable	706
Office and miscellaneous	42
	<b>33,390</b>
<b>(Deficit) of revenue over expenses</b>	<b>(16,697)</b>

**Love Your Neighbour Communities**  
**Statement of Cash Flows**  
**Period Ended September 30, 2022**

	2022
	\$
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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
(Deficit) of revenue over expenditures	(16,697)
Deposits on building	(48,908)
Prepaid expenses	(825)
Accounts payable and accrued charges	19,357
Deferred grant revenue	28,000
	<hr/>
	(19,073)
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<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Advances received on loans payable	304,000
Advances received from related parties	131,000
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	435,000
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<b>Change in cash and equivalents</b>	<b>415,927</b>
<b>Cash, beginning of period</b>	<b>0</b>
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<b>Cash, end of period</b>	<b>415,927</b>
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# Love Your Neighbour Communities

## Notes to the Financial Statements

### Period Ended September 30, 2022

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#### **1 Nature of organization**

Love Your Neighbour Communities is a federally incorporated not-for-profit organization without share capital. Its mission is to revitalize people and rural communities through equitable housing and social enterprise.

The organization is a not-for-profit organization and is exempt from paying income taxes.

#### **2 Accounting policies**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

##### **Revenue recognition**

The organization follows the deferral method of accounting for contributions. Restricted contributions related to the expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. This policy is applied to grant revenue, donations, fundraising, and sponsorships as required.

Non-monetary contributions are not reflected in the financial statements of the organization unless fair values can be reasonably determined.

##### **Financial instruments**

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity 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 net income.

Financial assets measured at amortized cost include cash.

Financial liabilities measured at amortized cost include accounts payable and accrued charges, loans payable and amounts due to related parties.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 income.

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

#### **3 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 amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditure during the reported period. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. Financial statement areas requiring estimates include accrued charges.

**Love Your Neighbour Communities**  
**Notes to the Financial Statements**  
**Period Ended September 30, 2022**

**4 Due to related parties**

Directors of the organization advanced funds to the organization for the purpose of meeting payment obligations. Directors are related to the organization as a result of being able to exert significant influence. Beaverdale Properties Inc. is related to the organization as it is owned by a director. 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.

The balances due to related parties are as follows:

	<b>2022</b>
	<b>\$</b>
<b>Related parties</b>	
Steven Wagler	52,000
Beaverdale Properties Inc.	50,000
Paul Ming	27,000
Lisa Doherty	<u>2,000</u>
	<b>131,000</b>
Less: current portion	<u>0</u>
	<b><u>131,000</u></b>

The loan from Steven Wagler is partially interest-bearing. Of the \$52,000 balance, \$50,000 bears interest at 4% annually, with interest paid semi-annually. The loan is due on demand after March 7, 2024 with 6 months notice. The remaining \$2,000 is non-interest bearing with no set repayment terms.

The loan from Beaverdale Properties Inc. bears interest at 4% annually, with interest paid semi-annually. There are no set repayments terms and the loan is due on demand with 6 months notice after March 7, 2024.

The remaining loans are non-interest bearing and have no set repayment terms.

Principal repayments required are as follows:

	<b>\$</b>
Year ended September 30, 2023	0
Thereafter until maturity	<u>131,000</u>
	<b><u>131,000</u></b>

**Love Your Neighbour Communities**  
**Notes to the Financial Statements**  
**Period Ended September 30, 2022**

**5 Loans payable**

	<b>2022</b>
	<b>\$</b>
Loan payable, bears interest at 4% annually, interest due semi-annually. No set repayment terms, due on demand with 30 days notice after February 28, 2023.	<b>150,000</b>
Loan payable, bears interest at 4% annually, interest due semi-annually. No set repayment terms, due on demand with 6 months notice after March 7, 2024.	<b>50,000</b>
Loan payable, bears interest at 4% annually, interest due semi-annually. No set repayment terms, due on demand with 6 months notice after March 7, 2024.	<b>50,000</b>
Loan payable, bears interest at 4% annually, interest due semi-annually. No set repayment terms, due on demand with 6 months notice after March 7, 2024.	<b>25,000</b>
Loan payable, bears interest at 4% annually, interest due semi-annually. No set repayment terms, due on demand with 6 months notice after March 7, 2024.	<b>25,000</b>
Loan payable, bears no interest, no repayment terms.	<b>2,000</b>
Loan payable, bears no interest, no repayment terms.	<b>2,000</b>
	<b>304,000</b>
Less: current portion	<b>150,000</b>
	<b>154,000</b>
Principal repayments required are as follows:	
	<b>\$</b>
Year Ended September 30, 2023	<b>150,000</b>
Year Ended September 30, 2024	<b>150,000</b>
Thereafter until maturity	<b>4,000</b>
	<b>304,000</b>

**6 Financial instruments**

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date.

**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 of its accounts payable and accrued charges, loans payable, and due to related parties.

**Credit risk**

The organization is exposed to credit risk on its funding activities. In order to reduce its credit risk, the organization has analysed the ability of its funders to provide funding. The organization does not have a significant exposure to any individual organization or person providing funding.

**6 Financial instruments continued**

**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.

**(a) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization does not have significant exposure to currency risk.

**(b) 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. The organization does not have significant exposure to interest rate risk.

**(c) 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 does not have significant exposure to other price risk.

**7 Subsequent events**

After period end, the organization purchased two buildings. The purchase prices for the buildings were \$510,000 and \$760,000 and the transactions closed in October 2022. The organization also secured two mortgages related to the purchase of the two buildings in the amounts of \$300,000 and \$400,000.