

**Love Your Neighbour Communities  
Financial Statements  
Period Ended December 31, 2023**

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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 December 31, 2023, 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 December 31, 2023, 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 December 31, 2023, and current assets and net assets as at December 31, 2023. Our audit opinion on the financial statements for the period ended December 31, 2023 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.

### ***Emphasis of Matter***

We were not engaged to report on the comparative information and it is neither reviewed nor audited.

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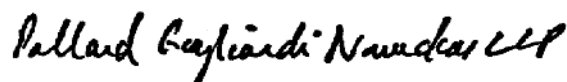
### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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  
June 5, 2024**

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

**Love Your Neighbour Communities**  
**Statement of Financial Position**  
As at December 31, 2023

	December 31 2023	April 5 2023
	\$	\$
<b>Assets</b>		
Current		
Cash	106,753	372,418
Prepaid expenses	805	9,883
	<b>107,558</b>	382,301
Property and equipment (Notes 2 & 4)	<b>1,557,123</b>	1,474,423
	<b>1,664,681</b>	1,856,724
<b>Liabilities</b>		
Current		
Accounts payable and accrued charges (Note 8)	22,077	88,002
HST payable	5,788	0
Deferred grant revenue	583	28,000
Current portion of long-term debt (Notes 5 & 6)	1,115,000	679,000
	<b>1,143,448</b>	795,002
Long-term debt		
Due to related parties (Note 5)	370,000	381,000
Bank loan and private loans payable (Note 6)	767,000	1,229,000
Less: current portion (Notes 5 & 6)	(1,115,000)	(679,000)
	<b>22,000</b>	931,000
	<b>1,165,448</b>	1,726,002
<b>Net assets</b>	<b>499,233</b>	130,722
	<b>1,664,681</b>	1,856,724

Approved on Behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**Love Your Neighbour Communities**  
**Statement of Changes in Net Assets**  
**Period Ended December 31, 2023**

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	<b>Period Ended December 31, 2023</b>	<b>Period Ended April 5, 2023</b>
	<b>\$</b>	<b>\$</b>
<b>Net assets, beginning of period</b>	<b>130,722</b>	<b>(16,697)</b>
<u>Excess of revenue over expenses</u>	<u><b>368,511</b></u>	<u><b>147,419</b></u>
<b>Net assets, end of period</b>	<u><b>499,233</b></u>	<u><b>130,722</b></u>

**Love Your Neighbour Communities**  
**Statement of Operations**  
Period Ended December 31, 2023

	Period Ended December 31, 2023	Period Ended April 5, 2023
	\$	\$
<b>Revenue</b>		
Loan principal forgiveness	250,000	0
Donations	192,604	176,805
Income from grants (Note 7)	47,500	50,000
Rental income	34,183	16,380
Loan interest forgiveness	15,000	0
Interest income	272	280
	<b>539,559</b>	243,465
<b>Expenses</b>		
Wages and benefits	56,647	36,576
Interest on loans payable	50,250	31,888
Repairs and maintenance	17,400	0
Professional fees	12,192	4,150
Insurance	10,681	2,759
Office and miscellaneous	9,042	8,794
Property taxes	8,192	5,775
Utilities	6,644	6,104
	<b>171,048</b>	96,046
<b>Excess of revenue over expenses</b>	<b>368,511</b>	147,419

**Love Your Neighbour Communities**  
**Statement of Cash Flows**  
Period Ended December 31, 2023

	<b>Period Ended December 31, 2023</b>	<b>Period Ended April 5, 2023</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of revenue over expenses	368,511	147,419
Loan principal forgiveness	(250,000)	0
Accounts payable and accrued charges	(65,925)	68,645
HST payable	5,788	0
Deposits on building	0	48,908
Prepaid expenses	9,078	(9,058)
Deferred grant revenue	(27,417)	0
	<b>40,035</b>	<b>255,914</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property and equipment	(82,700)	(1,474,423)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advances received on loans payable	0	1,175,000
Repayments of private loans payable	(212,000)	0
Due to related parties	(11,000)	0
	<b>(223,000)</b>	<b>1,175,000</b>
<b>Change in cash and equivalents</b>	<b>(265,665)</b>	<b>(43,509)</b>
<b>Cash, beginning of period</b>	<b>372,418</b>	<b>415,927</b>
<b>Cash, end of period</b>	<b>106,753</b>	<b>372,418</b>

# Love Your Neighbour Communities

## Notes to the Financial Statements

### Period Ended December 31, 2023

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#### 1 Nature of organization

Love Your Neighbour Communities is a federally incorporated charitable 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 organization gained charitable status on April 6, 2023 and there was a deemed year end on April 5, 2023. The comparative period is from October 1, 2022, to April 5, 2023. The organization's year end date changed to December 31 from September 30 when it gained charitable status.

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 and donations.

Loan principal and interest forgiveness income is recognized at the effective date of forgiveness.

Rental revenue is recognized as earned on a monthly basis in accordance with the terms of the rental leases.

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

##### **Property and equipment**

Property and equipment are stated at cost less accumulated amortization. Amortization is taken at one-half the normal annual rate in the year of acquisition. No amortization is recorded in the year of disposition.

Buildings are amortized over their estimated useful life at 4% per annum using the declining balance method.

##### **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, HST payable and the long-term debt.

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 accounts payable and accrued charges.

**Love Your Neighbour Communities**  
**Notes to the Financial Statements**  
**Period Ended December 31, 2023**

**4 Property and equipment**

The buildings owned by the organization were under construction at period end. These assets have not been amortized during the current or prior periods.

		<b>Period Ended December 31, 2023</b>	Period Ended April 5, 2023
<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
\$	\$	\$	\$
Land	<b>392,202</b>	<b>0</b>	392,202
Buildings	<b>1,164,921</b>	<b>0</b>	1,082,221
	<b>1,557,123</b>	<b>0</b>	1,474,423

**5 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. Josslin Insurance Brokers Limited and Beaverdale Properties Inc. are related to the organization as they are owned by directors. 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>Period Ended December 31, 2023</b>	Period Ended April 5, 2023
	\$	\$
<b>Related parties</b>		
Josslin Insurance Brokers Limited	<b>250,000</b>	250,000
Beaverdale Properties Inc.	<b>70,000</b>	50,000
Steven Wagler	<b>50,000</b>	52,000
Paul Ming	<b>0</b>	27,000
Lisa Doherty	<b>0</b>	2,000
	<b>370,000</b>	381,000
Less: current portion	<b>350,000</b>	352,000
	<b>20,000</b>	29,000

The loan from Josslin Insurance Brokers Limited bears no interest and is due on demand with one month's notice.

The balance from Beaverdale Properties Inc. is composed of two loans, both have no set repayment terms and bear interest at 4% annually, with interest paid semi-annually. The first loan, with a balance of \$50,000, is due on demand with six months' notice after March 7, 2024. The second loan, with a balance of \$20,000, is due on demand with six months' notice after March 7, 2025.

The loan from Steven Wagler bears interest at 4% annually, with interest paid semi-annually. The loan is due on demand after March 7, 2024 with six months' notice.

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

Principal repayments required are as follows:

	\$
Year ended December 31, 2024	<b>350,000</b>
Year ended December 31, 2025	<b>20,000</b>
	<b>370,000</b>

**Love Your Neighbour Communities**  
**Notes to the Financial Statements**  
**Period Ended December 31, 2023**

**6 Bank loan and private loans payable**

	<b>Period Ended December 31, 2023</b>	Period Ended April 5, 2023
	\$	\$
Loan payable to Kindred Credit Union, bears interest at prime + 1%, interest due monthly with principal being repaid by October 2024, subject to potential extension.	<b>540,000</b>	600,000
Private loan 1, bears no interest with no set repayment terms. This transfer was intended as a loan but to be forgiven after the organization gains charitable status. The loan was forgiven during the period ended December 31, 2023.	<b>0</b>	250,000
Private loan 2, bears interest at 4% annually, interest due semi-annually. No set repayment terms, due on demand with 30 days' notice. This loan was repaid during the period ended December 31, 2023.	<b>0</b>	150,000
Private loan 3, 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>	50,000
Private loan 4, bears interest at 4% annually, interest due semi-annually. No set repayment terms, due on demand with 6 months' notice after April 15, 2024.	<b>50,000</b>	50,000
Private loan 5, 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>	50,000
Private loan 6, bears interest at 4% annually, interest due semi-annually. No set repayment terms, due on demand within 6 months' notice after March 7, 2024.	<b>25,000</b>	25,000
Private loan 7, 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>	25,000
Private loan 8, 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>	25,000
Private loan 9, bears no interest, no repayment terms.	<b>2,000</b>	2,000
Private loan 10, bears no interest, no repayment terms. This loan was repaid during the period ended December 31, 2023.	<b>0</b>	2,000
	<b>767,000</b>	1,229,000
Less: current portion	<b>765,000</b>	327,000
	<b>2,000</b>	902,000

**Love Your Neighbour Communities**  
**Notes to the Financial Statements**  
**Period Ended December 31, 2023**

**6 Bank loan and private loans payable continued**

Principal repayments required are as follows:

	\$
Year Ended December 31, 2024	765,000
Year Ended December 31, 2025	0
Year Ended December 31, 2026	0
Year Ended December 31, 2027	0
Year Ended December 31, 2028	0
Thereafter until maturity	2,000
	767,000

**7 Income from grants**

During the period ending December 31, 2023, grant income of \$40,000 and \$7,500 was received from Community Housing Transformation Centre and Enbridge, respectively.

All grant income for the period ending April 5, 2023 was received from York Entrepreneurial Development Institute.

**8 Accounts payable and accrued charges**

As at December 31, 2023, the organization has outstanding government remittances payable including amounts for sales taxes and payroll taxes of \$6,652 (April 5, 2023 - \$864). None of these remittances are in arrears.

**9 Financial risks and concentration of risk**

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, HST payable and the long-term debt.

**Credit risk**

The organization is exposed to credit risk on the accounts receivable from its customers on its rental income. In order to reduce its credit risk, the organization has adopted credit policies, which include the analysis of the financial position of its customers and the regular review of credit limits. The organization does not have a significant exposure to any individual customer. The organization is not exposed to credit risk on their other revenue as it is derived from grants and donations.

**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 is exposed to interest rate risk due to the variable rate on their loan payable to Kindred Credit Union.

**9 Financial risks and concentration of risk continued**

**(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.

The extent of the organization's exposure to the above risks did not change during the fiscal period except in the case of credit risk as the organization began to have rental income during the period.