

Love Your Neighbour Communities
Financial Statements
December 31, 2024

To the Members of Love Your Neighbour Communities:

Opinion

We have audited the financial statements of Love Your Neighbour Communities (the "Charity"), which comprise the statement of financial position as at December 31, 2024, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Charity as at December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 report. We are independent of the Charity 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 opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Charity incurred a net deficiency of revenue over expenses of \$48,327 for the year ended December 31, 2024, and, as of that date, the Charity had negative working capital of \$1,155,010. Due to the net loss, the Charity is not in compliance with their bank covenant. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Charity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which explains that certain comparative information for the period ended December 31, 2023 has been restated. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Charity for the period ended December 31, 2023 were audited by another auditor who expressed a qualified opinion on those statements on June 5, 2024.

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 Charity'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 Charity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Charity'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 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 the Charity's 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 the Charity'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 Charity 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

May 26, 2025

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Love Your Neighbour Communities

Statement of Financial Position

As at December 31, 2024

	2024	2023 (Note 2)
Assets		
Current		
Cash	7,153	106,753
Harmonized sales taxes recoverable	37,227	-
Prepaid expenses	-	805
	44,380	107,558
Property under development (Note 4)	1,973,124	1,627,292
	2,017,504	1,734,850
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	139,390	27,865
Deferred contributions	-	583
	139,390	28,448
Short-term loan (Note 6)	540,000	540,000
Private loans (Note 7)	100,000	227,000
Current portion of advances from related parties (Note 8)	420,000	350,000
	1,199,390	1,145,448
Advances from related parties (Note 8)	-	20,000
Deferred contributions related to capital assets (Note 9)	625,221	328,182
	1,824,611	1,493,630
Subsequent events (Note 12)		
Net Assets	192,893	241,220
	2,017,504	1,734,850

Approved on behalf of the Board

e-Signed by Paul Ming

2025-05-26 08:35:35:35 EDT

Director

e-Signed by Steve Wagler

2025-05-26 13:43:55:55 EDT

Director

The accompanying notes are an integral part of these financial statements

Love Your Neighbour Communities Statement of Operations

For the year ended December 31, 2024

	12 Months Ended December 31 2024	9 Months Ended December 31 2023 (Note 2)
Revenue		
Donations	52,508	192,604
Grants	105,144	7,500
Interest	10	272
	157,662	200,376
Expenses		
Feasibility costs	73,935	-
Insurance	14,955	10,681
Office	12,720	9,042
Professional fees	23,475	12,192
Repairs and maintenance	8,801	17,400
Salaries and benefits	72,103	56,647
	205,989	105,962
Excess (deficiency) of revenue over expenses	(48,327)	94,414

The accompanying notes are an integral part of these financial statements

Love Your Neighbour Communities Statement of Changes in Net Assets

For the year ended December 31, 2024

	12 Months Ended December 31 2024	9 Months Ended December 31 2023 (Note 2)
Net assets, beginning of year, as previously stated	499,233	130,722
Correction of an error (Note 2)	(258,013)	16,084
Net assets, beginning of year, as restated	241,220	146,806
Excess (deficiency) of revenue over expenses	(48,327)	94,414
Net assets, end of year	192,893	241,220

The accompanying notes are an integral part of these financial statements

Love Your Neighbour Communities

Statement of Cash Flows

For the year ended December 31, 2024

	12 Months Ended December 31 2024	<i>9 Months Ended December 31 2023 (Note 2)</i>
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	(48,327)	94,414
Changes in working capital accounts		
Prepaid expenses	805	9,078
Accounts payable and accrued liabilities	111,525	(60,136)
Harmonized sales taxes recoverable	(37,227)	-
Deferred contributions	(583)	(27,417)
	26,193	15,939
Financing		
Advances from related parties	50,000	-
Repayment of advances from related parties	-	(11,000)
Repayments of short-term loan	-	(60,000)
Repayments of private loans	(25,000)	(152,000)
Receipt of deferred contributions related to capital assets	195,039	40,000
	220,039	(183,000)
Investing		
Additions to property under development	(345,832)	(98,604)
Decrease in cash resources	(99,600)	(265,665)
Cash resources, beginning of year	106,753	372,418
Cash resources, end of year	7,153	106,753

The accompanying notes are an integral part of these financial statements

Love Your Neighbour Communities

Notes to the Financial Statements

For the year ended December 31, 2024

1. Incorporation, nature of the organization and going concern

Love Your Neighbour Communities (the "Charity") is a registered charity incorporated without share capital under the Canada Not-for-profit Corporations Act on October 14, 2021, and is exempt from income taxes under the Income Tax Act of Canada. The Charity's mission is to revitalize people and rural communities through equitable housing and social enterprise.

These financial statements have been prepared on a going concern basis which presumes that the Charity will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

The Charity realized a current year deficiency of revenue over expenses of \$48,327, and has negative working capital of \$1,155,010 as at December 31, 2024. Due to the net loss, the Charity is not in compliance with their covenant related to the short-term loan (refer to Note 6). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Charity's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of operations.

The Charity's ability to continue as a going concern is dependent upon the continued support from its financial institution as well as ongoing contributions from grants, donations and fundraising in the future. Management has focused efforts on identifying and attaining additional support available. The Charity has also obtained new short-term debt subsequent to year end to provide additional short-term cash flows (refer to Note 12).

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

2. Correction of an error

During the year, the Charity determined that externally restricted contributions related to capital assets under construction were not correctly recorded as deferred contributions. The Charity also determined that soft costs and incidental income related to the property under development were not correctly capitalized or offset against the cost of the property. These changes have been applied retrospectively and the prior period has been restated.

For the year ended December 31, 2023, the impact of these corrections is as follows:

- Property under development increased by \$70,169;
- Deferred contributions related to capital assets increased by \$328,182;
- Net assets, beginning of year increased by \$16,084;
- Net assets, end of year decreased by \$258,013;
- Grant revenue decreased by \$40,000;
- Rental revenue decreased by \$34,183;
- Loan principal forgiveness revenue decreased by \$250,000;
- Loan interest forgiveness revenue decreased by \$15,000;
- Interest expense decreased by \$50,250;
- Property taxes expense decreased by \$8,192;
- Utilities expense decreased by \$6,644; and
- Excess of revenue over expenses decreased by \$274,097.

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Revenue recognition

The Charity follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year 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 reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase or construction of capital assets are deferred and amortized into revenue on the same basis as the related capital assets.

Interest income is recognized as revenue when earned.

Contributed materials and services

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated, when the materials are used in the normal course of the Charity's operations and would otherwise have been purchased. Contributed services are not reflected in the financial statements due to the difficulty of determining fair value.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase or construct the Charity's property under development. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition. When fair value cannot be reasonably determined, capital assets are recorded at nominal value.

Amortization is provided at rates intended to amortize the cost of assets over their estimated useful lives. Assets under construction are not amortized until the asset is completed and ready for use.

The cost of property under development includes the purchase price of land and buildings, including closing costs such as legal and appraisal fees and land transfer taxes; development costs such as planning, architectural and engineering fees; site work and other direct costs to date; and carrying costs such as interest and property taxes. Incidental revenue derived from a capital asset prior to substantial completion is net against the cost of the asset. The Charity has capitalized interest on debt related to the property under development.

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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Amortization is based on the estimated useful lives of capital assets. Accrued liabilities are based on management's expectation of amounts payable for goods and services for which invoices were not received prior to the year end.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future periods could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

3. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Charity recognizes financial instruments when the Charity becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Charity may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Charity has not made such an election during the year, thus all arm's length financial instruments are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operations. Conversely, transaction costs and financing fees are added to the carrying amount for those arm's length financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Charity initially measures the following financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at fair value:

- Investments in equity instruments quoted in an active market;
- Debt instruments quoted in an active market;
- Debt instruments when the inputs significant to the determination of its fair value are observable (directly or indirectly); and
- Derivative contracts.

All other related party financial instruments are measured at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

At initial recognition, the Charity may elect to subsequently measure related party debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value.

The Charity has not made such an election during the year, thus all such related party debt instruments are subsequently measured at amortized cost.

The Charity subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by market price. Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in operations.

Love Your Neighbour Communities

Notes to the Financial Statements

For the year ended December 31, 2024

3. Significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

Financial asset impairment

The Charity assesses impairment of all its financial assets measured at cost or amortized cost. Management considers relevant criteria in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Charity determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Charity reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Charity reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year operations.

The Charity reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in operations in the year the reversal occurs.

4. Property under development

	Cost	2024 Net book value	2023 Net book value (Note 2)
Land	392,202	392,202	392,202
Property under development	1,580,922	1,580,922	1,235,090
	1,973,124	1,973,124	1,627,292

No amortization of this asset has been recorded during the current or prior year because it is currently under construction.

Interest capitalized to the cost of property under development during the year totaled \$53,760 (2023 - \$50,250).

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes government remittances payable of \$nil (2023 - \$6,652).

Love Your Neighbour Communities

Notes to the Financial Statements

For the year ended December 31, 2024

6. Short-term loan

	2024	2023 <i>(Note 2)</i>
Demand loan payable to Kindred Credit Union, bearing interest at prime + 1% equal to 6.45% as at December 31, 2024 (2023 - 8.20%), maturing April 2025, subject to potential extension (Note 12).	540,000	540,000

The demand loan is secured by first charge collateral mortgages totalling \$1,250,000 over real property owned by the Charity and is subject to certain financial covenants, which if violated, could affect the terms of the credit facility. The Charity must maintain a minimum debt service coverage ratio of 1:1. As at December 31, 2024, the Charity is not in compliance with the covenant.

7. Private loans

	2024	2023 <i>(Note 2)</i>
Private loans bearing interest at 4%, payable on demand with six months' notice from the lender, secured by real property owned by the Charity.	100,000	227,000

8. Advances from related parties

	2024	2023 <i>(Note 2)</i>
Advances from Josslin Insurance Brokers Limited, non-interest bearing, due on demand as noted below, secured by real property owned by the Charity.	300,000	250,000
Advances from Beaverdale Properties Inc., bearing interest at 4%, due on demand with six months' notice from the lender, secured by real property owned by the Charity.	70,000	70,000
Advances from Steven Wagler, bearing interest at 4%, due on demand with six months' notice from the lender, secured by real property owned by the Charity.	50,000	50,000
	420,000	370,000
Less: Current portion of advances from related parties	420,000	350,000
	-	20,000

The advances from Josslin Insurance Brokers Limited comprise a loan of \$250,000 due on demand with one month's notice from the lender, and a loan of \$50,000 due on demand with six months' notice from the lender.

The related parties noted above are directors of the Charity or companies controlled by directors of the Charity. Interest paid to related parties during the year totalled \$4,800 (2023 - \$nil).

Love Your Neighbour Communities
Notes to the Financial Statements
For the year ended December 31, 2024

9. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase or construction of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred contributions related to capital assets are as follows:

	2024	2023 <i>(Note 2)</i>
Balance, beginning of year	328,182	23,182
Amounts received during the year	297,039	305,000
Balance, end of year	625,221	328,182

Loan principal balances forgiven of \$102,000 (2023 - \$250,000), and loan interest forgiven of \$10,783 (2023 - \$15,000) are included in deferred contributions related to capital assets.

10. Financial instruments

The Charity, as part of its operations, carries a number of financial instruments. It is management's opinion that the Charity is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Charity is exposed to interest rate cash flow risk with respect to the short-term loan described in Note 6 which is subject to floating interest based on the prime rate. The Charity is exposed to interest rate price risk on its private loans and advances from related parties described in Notes 7 and 8 as they are at fixed rates.

During the year, the Charity's exposure to interest rate risk decreased due to a decrease in the prime rate and a decrease in loan principal balances outstanding.

Liquidity risk

Liquidity risk is the risk that the Charity will encounter difficulty in meeting obligations associated with financial liabilities. The Charity enters into transactions to borrow funds from financial institutions or other creditors for which repayment is required at various maturity dates.

11. Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation. The prior year figures were audited by another accountant.

12. Subsequent events

Subsequent to year end, a term loan of \$75,000 from Kindred Credit Union was advanced to the Charity. The new term loan is subject to the same terms, security, and covenants as the facility disclosed in Note 6, and matures in March 2025, which was subsequently extended to July 2025.

Subsequent to year end, the short-term demand loan from Kindred Credit Union disclosed in Note 6 was extended to July 2025.