

Kindle Communities Organization
Financial Statements
For the Year Ended March 31, 2021

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Independent Auditor's Report

To the Board of Directors of Kindle Communities Organization

Opinion

We have audited the financial statements of Kindle Communities Organization (the Organization), which comprise the statement of financial position as at March 31, 2021, and the statements of changes in net assets, operations 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 Organization as at March 31, 2021, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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 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 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 private enterprises, 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 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 Organization'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 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.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario
September 1, 2021

Kindle Communities Organization
Statement of Financial Position

March 31	2021	2020
Assets		
Current		
Cash (Note 2)	\$ 205,403	\$ 3,943
Accounts receivable (Note 3)	49,509	1,461
Prepaid expenses	24,159	21,368
	279,071	26,772
Capital (Note 4)	2,967,077	1,954,866
	\$ 3,246,148	\$ 1,981,638
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 3)	\$ 93,264	\$ 12,913
Rental deposits (Note 7)	24,175	8,748
Deferred contributions (Note 7)	41,560	58,887
Construction loan (Note 5)	1,285,275	-
	1,444,274	80,548
Net Assets		
Internally restricted		
Building maintenance reserve - Shelldale	46,207	48,653
Building maintenance reserve - Flanders	981	981
Community development reserve	120,268	120,268
Unrestricted net assets	1,634,418	1,731,188
	1,801,874	1,901,090
	\$ 3,246,148	\$ 1,981,638

On behalf of the Board:

_____, Director

_____, Director

Kindle Communities Organization
Statement of Changes in Net Assets

For the year ended March 31	Building Maintenance Reserve - Shelldale	Building Maintenance Reserve - Flanders	Community Development Reserve	Unrestricted	2021 Total	2020 Total
Balance, beginning of the year	\$ 48,653	\$ 981	\$ 120,268	\$ 1,731,188	\$1,901,090	\$ 1,943,131
Excess (deficiency) of revenues over expenses	(2,446)	-	-	(96,770)	(99,216)	(42,041)
Balance, end of the year	\$ 46,207	\$ 981	\$ 120,268	\$ 1,634,418	\$1,801,874	\$ 1,901,090

The accompanying notes are an integral part of these financial statements.

Kindle Communities Organization
Statement of Operations

For the year ended March 31	2021	2020
Revenue		
Rental (Note 7)	\$ 415,591	\$ 324,081
Other (Note 8)	60,570	2,249
	476,161	326,330
Expenses		
Amortization	139,726	82,621
Repairs and maintenance	135,962	110,217
Office and administrative (Note 7)	78,736	54,924
Utilities	51,737	58,949
Permanent Supportive Housing Project (Note 8)	48,961	-
Property management (Note 7)	36,020	26,520
Professional fees	29,167	4,678
Insurance	27,431	22,600
Interest on long-term debt	21,252	-
Property taxes	4,754	4,653
Advertising and promotion (Note 7)	1,415	2,746
Bank charges	216	463
	575,377	368,371
Deficiency of revenues over expenditures	\$ (99,216)	\$ (42,041)

The accompanying notes are an integral part of these financial statements.

Kindle Communities Organization Statement of Cash Flows

For the year ended March 31	2021	2020
Cash flows from operating activities		
Deficiency of revenues over expenses		
General operations	\$ (99,216)	\$ (42,041)
Amortization of property, plant and equipment	139,726	82,621
	40,510	40,580
Changes in non-cash working capital:		
Accounts receivable	(48,048)	9,683
Prepaid expenses	(2,791)	(3,435)
Accounts payable and accrued liabilities	80,350	(9,935)
Deferred rental revenue	15,427	(193)
Deferred contributions	(17,327)	40,703
	68,121	77,403
Cash flows from investing activities		
Acquisition of property and equipment	(1,151,936)	(75,085)
Cash flows from financing activities		
Advances from construction loan	1,285,275	-
Net increase in cash	201,460	2,318
Cash, beginning of the year	3,943	1,625
Cash, end of the year	\$ 205,403	\$ 3,943

The accompanying notes are an integral part of these financial statements.

Kindle Communities Organization

Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies

Nature of Operations Kindle Communities Organization (the "Organization") was incorporated without share capital, on May 17, 2001, under the laws of Ontario for the purpose of operating and maintaining community centre facilities and programs within the City of Guelph and the City of Kitchener on a not-for-profit basis. The Organization is exempt from income tax.

Basis of Accounting The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Short-term Investments Short-term investments are stated at fair market value.

Capital Assets Capital assets are stated at acquisition cost less accumulated amortization. Cost is net of related investment tax credits, government grants and any restricted donations received by the Organization. Amortization is based on the estimated useful life of the asset and is calculated as follows:

	Method	Rate
Buildings and renovations	diminishing balance	5%
Parking area	diminishing balance	8%

Full amortization is provided in the year assets are put into use and no amortization is taken in the year of disposal.

Revenue Recognition The Organization 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.

Restricted contributions for which expenses have not yet been incurred are recorded as deferred contributions.

Rental revenue is recognized when a tenant commences occupancy of a rental unit and rent is due. The Organization retains all of the benefits and risks of ownership of its rental units and therefore accounts for leases with its tenants as operating leases.

Deferred rental revenues arise when tenants pay rent in advance of the month of occupancy.

Kindle Communities Organization Notes to Financial Statements

March 31, 2021

1. Significant Accounting Policies (continued)

Community Development Reserves	The Organization maintains reserves to cover future development costs on major capital projects. The reserves are funded by an appropriation of unrestricted net assets. The amount of the appropriation is determined annually by the Board of Directors. Furthermore, interest income is allocated equally to each reserve.
Maintenance Reserves	The Organization maintains reserves to cover costs of major repairs which will be incurred as the capital properties age. The reserves are funded by an appropriation of unrestricted net assets. The amount of the appropriation is determined annually by the Board of Directors. Furthermore, interest income is allocated equally to each reserve.
Use of Estimates	The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates made by management include the useful lives of capital assets and accrued liabilities. Actual results could differ from those estimates.

2. Cash

The Organization's bank accounts are held at one chartered bank.

Kindle Communities Organization Notes to Financial Statements

March 31, 2021

3. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts receivable. This risk has not changed from prior year.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Organization is exposed to this risk mainly in respect of its accounts payable and construction loan. This risk has not changed from prior year.

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 on its construction loan. This risk has increased from prior year as a result of the Organization obtaining a construction loan.

4. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 338,800	\$ -	\$ 338,800	\$ -
Buildings	2,894,090	1,465,539	2,887,153	1,390,352
Parking area	174,777	134,132	174,777	130,597
Shelldale renovation	1,220,085	61,004	75,085	-
	4,627,752	1,660,675	3,475,815	1,520,949
		\$ 2,967,077		\$ 1,954,866

Kindle Communities Organization Notes to Financial Statements

March 31, 2021

5. Construction Loan

	2021	2020
Royal Bank of Canada - Non-revolving term loan, interest only payable monthly, interest at prime plus 1.50% annually, matures May 2021.	\$ 1,285,275	\$ -
Less: current portion	1,285,275	-
Long-term portion of debt	\$ -	\$ -

Subsequent to year end, the Organization converted the term loan into a 25 year mortgage with Royal Bank of Canada. This mortgage relates to the property located at 20 Shelldale Crescent in Guelph, Ontario. The total principal amount under the agreement is \$1,300,000 with blended monthly payments of \$6,259 at an interest rate of 3.16% beginning July 1, 2021. The mortgage is secured by an assignment of rents to the bank relating to the property located at 20 Shelldale Crescent as well as a general security agreement on all of the Organization's assets located at 20 Shelldale Crescent.

Principal repayments on long-term debt over the next five years are as follows

2022	\$	25,795
2023		35,357
2024		36,491
2025		37,661
2026		38,868
Thereafter		1,125,828
		\$ 1,300,000

6. Commitments

The Organization has an agreement with The Children's Aid Society of the City of Guelph and the County of Wellington (the Society) for the provision of administrative support and property management services that expires March 2022.

The minimum administrative support payment for the next year is \$51,168.

The minimum property management payment for the next year is \$36,000.

The minimum project management payment for the next year is \$45,648.

Kindle Communities Organization Notes to Financial Statements

March 31, 2021

7. Related Party Transactions

Rental revenue for the year includes amounts collected from the Society, a related party, totaling \$113,438 (2020 - \$131,952), which generated 27% (2020 - 41%) of the total rental revenue for the year.

Included in rental deposits is a total of \$6,054 (2020 - \$6,054) in rental deposits received from the Society.

Included in deferred contributions is a total of \$NIL (2020 - \$39,894) in rental monies received in advance from the society.

Included in office and administrative expenses is \$33,384 (2020 - \$34,344) which represents administrative support costs paid to the Society. This amount is based on 10% of the rental revenues for the year. Additional project management expenses of \$33,168 (2020 - \$NIL) were paid to the Society and included in office and administrative expenses.

Included in property management expenses is \$36,020 (2020 - \$26,520) in property management costs paid to the Society.

The Society is a not-for-profit organization and is related to the Organization by common senior management.

All of the above transactions were 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.

8. Permanent Supportive Housing Project

During the year, the Organization incurred expenses of \$48,961 related to the Permanent Supportive Housing project. The organization has received corresponding funding of \$48,961 which is included in other revenue.

9. Material Uncertainty

On March 11 2020, the World Health Organization characterized the outbreak COVID-19 as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The Organization has been able to continue operations during this time period. However, the duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Organization in future periods.
