

**Kindle Communities Organization
Consolidated Financial Statements
For the Year Ended March 31, 2022**

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Contents

Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Net Assets	5
Consolidated Statement of Operations	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 14



Independent Auditor's Report

To the Board of Directors of Kindle Communities Organization

Opinion

We have audited the consolidated financial statements of Kindle Communities Organization (the Organization), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of changes in net assets, operations and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at March 31, 2022, and its consolidated financial performance and 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 Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario
September 22, 2022

**Kindle Communities Organization
Consolidated Statement of Financial Position**

March 31	2022	2021
Assets		
Current		
Cash (Note 2)	\$ 1,237,562	\$ 205,403
Accounts receivable (Note 3)	26,238	49,509
Prepaid expenses	25,359	24,159
	1,289,159	279,071
Capital (Note 4)	3,047,468	2,967,077
	\$ 4,336,627	\$ 3,246,148
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 3)	\$ 28,779	\$ 93,263
Rental deposits (Note 9)	8,748	24,175
Deferred contributions (Note 5)	233,179	19,373
Deferred contributions - Permanent Supportive Housing (Note 6)	1,129,154	22,188
Current portion of long-term debt (Note 7)	73,357	1,285,275
	1,473,217	1,444,274
Long-term debt (Note 7)	1,238,847	-
	2,712,064	1,444,274
Net Assets		
Internally restricted		
Building maintenance reserve - Shelldale	46,207	46,207
Building maintenance reserve - Flanders	981	981
Community development reserve	120,268	120,268
Unrestricted net assets	1,457,107	1,634,418
	1,624,563	1,801,874
	\$ 4,336,627	\$ 3,246,148

On behalf of the Board:

_____, Director

_____, Director

Kindle Communities Organization
Consolidated Statement of Changes in Net Assets

For the year ended March 31	Building Maintenance Reserve - Shelldale	Building Maintenance Reserve - Flanders	Community Development Reserve	Unrestricted	2022 Total	2021 Total
Balance, beginning of the year	\$ 46,207	\$ 981	\$ 120,268	\$ 1,634,418	\$ 1,801,874	\$ 1,901,090
Deficiency of revenues over expenses	-	-	-	(177,311)	(177,311)	(99,216)
Balance, end of the year	\$ 46,207	\$ 981	\$ 120,268	\$ 1,457,107	\$ 1,624,563	\$ 1,801,874

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

Kindle Communities Organization Consolidated Statement of Operations

For the year ended March 31	2022	2021
Revenue		
Rental (Note 9)	\$ 447,775	\$ 415,591
Other	12,259	60,570
	<u>460,034</u>	<u>476,161</u>
Expenses		
Advertising and promotion (Note 9)	570	1,415
Amortization	133,871	139,726
Bank charges	1,928	216
Insurance	33,506	27,431
Interest on long-term debt	39,859	21,252
Office and administrative (Note 9)	98,667	78,736
Permanent Supportive Housing Project	-	48,961
Professional fees	31,892	29,167
Property management (Note 9)	44,844	36,020
Property taxes	4,907	4,754
Repairs and maintenance	182,072	135,962
Utilities	65,229	51,737
	<u>637,345</u>	<u>575,377</u>
Deficiency of revenues over expenditures	\$ (177,311)	\$ (99,216)

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

Kindle Communities Organization Consolidated Statement of Cash Flows

For the year ended March 31	2022	2021
Cash flows from operating activities		
Deficiency of revenues over expenses		
General operations	\$ (177,311)	\$ (99,216)
Amortization of property, plant and equipment	133,871	139,726
	<u>(43,440)</u>	40,510
Changes in non-cash working capital:		
Accounts receivable	23,271	(48,048)
Prepaid expenses	(1,200)	(2,791)
Accounts payable and accrued liabilities	(64,484)	80,350
Deferred rental revenue	(15,428)	15,427
Deferred contributions	213,806	(39,515)
Deferred contributions - Permanent Supportive Housing	1,106,967	22,188
	<u>1,219,492</u>	68,121
Cash flows from investing activities		
Acquisition of property and equipment	<u>(214,262)</u>	(1,151,936)
Cash flows from financing activities		
Advances of long-term debt	52,724	1,285,275
Repayment of long-term debt	(25,795)	-
	<u>26,929</u>	1,285,275
Net increase in cash	1,032,159	201,460
Cash, beginning of the year	<u>205,403</u>	<u>3,943</u>
Cash, end of the year	<u>\$ 1,237,562</u>	<u>\$ 205,403</u>

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

Kindle Communities Organization

Notes to Consolidated Financial Statements

March 31, 2022

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 consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Consolidation The consolidated financial statements include the accounts of the parent Kindle Communities Organization and its subsidiary Kindle Housing Inc. Kindle Housing Inc. is a wholly-owned, for-profit entity. Kindle Housing Inc. was incorporated on February 23, 2022. All significant intercompany transactions have been eliminated.

During the year, the Organization entered into a co-ownership agreement with Kindle Housing Inc., its wholly-owned subsidiary. This co-ownership agreement relates to the Permanent Supportive Housing building development project whereby the Organization has a 99% investment and Kindle Housing Inc. has a 1% investment. All costs and funding related to this project are reported on this proportionate basis. The financial statements have been prepared on a consolidated basis which results in 100% of the activity being reported in the financial statements.

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.

Kindle Communities Organization

Notes to Consolidated Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

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.

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.

Kindle Communities Organization

Notes to Consolidated Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Financial Instruments Financial instruments are recorded at fair value at initial recognition.

In subsequent years, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

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 Consolidated Financial Statements

March 31, 2022

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 long-term debt. This risk has not changed from prior year.

4. Capital Assets

	<u>2022</u>		<u>2021</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 338,800	\$ -	\$ 338,800	\$ -
Buildings	2,894,090	1,536,967	2,894,090	1,465,539
Parking area	174,777	137,383	174,777	134,132
Shelldale renovation	1,244,835	120,196	1,220,085	61,004
Land - Permanent supportive housing	1	-	-	-
Buildings - Permanent supportive housing	189,511	-	-	-
	<u>4,842,014</u>	<u>1,794,546</u>	<u>4,627,752</u>	<u>1,660,675</u>
		<u>\$ 3,047,468</u>		<u>\$ 2,967,077</u>

Kindle Communities Organization Notes to Consolidated Financial Statements

March 31, 2022

5. Deferred Contributions

Deferred contributions represent unspent resources restricted for the purposes of various organizational expenditures. The balance of deferred contributions consists of the following initiatives:

	2022	2021
City of Guelph - Community Benefit Agreement	\$ -	\$ 19,373
Ontario Trillium Fund	135,600	-
Accessibility Grant	97,579	-
	\$ 233,179	\$ 19,373

6. Deferred Contributions - Permanent Supportive Housing

During the year, the Organization received funding related to the Permanent Supportive Housing building project. These funds have been deferred and will be recognized as revenue in accordance with the amortization of the related building. As at March 31, 2022, the building was not ready for use. The amounts making up the deferred contribution balance as at March 31, 2022 consist of:

	2022	2021
Guelph Community Health Centre	\$ 26,500	\$ 22,188
Canadian Mortgage and Housing Corporation	102,654	-
County of Wellington	1,000,000	-
	\$ 1,129,154	\$ 22,188

Kindle Communities Organization Notes to Consolidated Financial Statements

March 31, 2022

7. Long-Term Debt

	2022	2021
Royal Bank of Canada - Non-revolving term loan, interest only payable monthly, interest at prime plus 1.50% annually, matured May 2021.	\$ -	\$ 1,285,275
Royal Bank of Canada - 25-year mortgage, interest at 3.16%, blended monthly payments of \$6,259, secured by land and building with a net book value of \$2,651,001. Matures June 2026.	1,274,204	-
Canadian Mortgage and Housing Corporation loan, interest at prime plus 2%, repayable in full upon maturity of the loan which is the earlier of the project financing date or October 2023.	38,000	-
	1,312,204	(1,285,275)
Less: current portion	(73,357)	(1,285,275)
Long-term portion of debt	\$ 1,238,847	\$ -

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

2023	\$ 73,357
2024	36,491
2025	37,661
2026	38,868
2027 and thereafter	1,125,827
	\$ 1,312,204

Kindle Communities Organization Notes to Consolidated Financial Statements

March 31, 2022

8. 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 2023.

The minimum administrative support payment for the next year is \$60,291.

The minimum property management payment for the next year is \$42,000.

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

9. Related Party Transactions

Rental revenue for the year includes amounts collected from the Society, a related party, totaling \$123,466 (2021 - \$113,438), which generated 28% (2021 - 27%) of the total rental revenue for the year.

Included in rental deposits is a total of \$6,054 (2021 - \$6,054) in rental deposits received from the Society.

Included in office and administrative expenses is \$51,168 (2021 - \$33,384) 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 \$45,648 (2021 - \$33,168) were paid to the Society and included in office and administrative expenses.

Included in property management expenses is \$36,000 (2021 - \$36,020) 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.

10. Comparative Amounts

Certain comparative amounts presented have been reclassified to conform to current year's presentation.
