

**Kindle Communities Organization
Financial Statements
For the Year Ended March 31, 2020**

Draft - Subject to Change

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Financial Statements
For the Year Ended March 31, 2020**

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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, 2020, 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, 2020, 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.

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario
August 19, 2020

**Kindle Communities Organization
Statement of Financial Position**

March 31	2020	2019
Assets		
Current		
Cash (Note 2)	\$ 3,943	\$ 1,625
Accounts receivable (Note 3)	1,461	11,144
Prepaid expenses	21,368	17,933
	26,772	30,702
Capital (Note 4)	1,954,866	1,962,402
	\$ 1,981,638	\$ 1,993,104
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 3)	\$ 12,913	\$ 22,848
Rental deposits (Note 6)	8,748	8,941
Deferred contributions (Note 6)	58,887	18,184
	80,548	49,973
Net Assets		
Internally restricted		
Building maintenance reserve - Shelldale	48,653	47,903
Building maintenance reserve - Flanders	981	231
Community development reserve	120,268	119,518
Unrestricted net assets	1,731,188	1,775,479
	1,901,090	1,943,131
	\$ 1,981,638	\$ 1,993,104

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	2020 Total	2019 Total
Balance, beginning of the year	\$ 47,903	\$ 231	\$ 119,518	\$ 1,775,479	\$ 1,943,131	\$ 2,042,132
Excess (deficiency) of revenues over expenses	750	750	750	(44,291)	(42,041)	(99,001)
Balance, end of the year	\$ 48,653	\$ 981	\$ 120,268	\$ 1,731,188	\$ 1,901,090	\$ 1,943,131

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

**Kindle Communities Organization
Statement of Operations**

For the year ended March 31	2020	2019
Revenue		
Rental (Note 6)	\$ 324,081	\$ 336,129
Other	2,249	1,570
	326,330	337,699
Expenses		
Repairs and maintenance	110,217	165,389
Amortization	82,621	87,101
Utilities	58,949	58,985
Office and administrative (Note 6)	54,924	58,810
Property management	26,520	13,802
Insurance	22,600	20,365
Professional fees (Note 6)	4,678	23,461
Property taxes	4,653	4,521
Advertising and promotion (Note 6)	2,746	3,942
Bank charges	463	324
	368,371	436,700
Deficiency of revenues over expenditures	\$ (42,041)	\$ (99,001)

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

Kindle Communities Organization
Statement of Cash Flows

For the year ended March 31	2020	2019
Cash flows from operating activities		
Deficiency of revenues over expenses		
General operations	\$ (42,041)	\$ (99,001)
Amortization of property, plant and equipment	82,621	87,101
	<u>40,580</u>	<u>(11,900)</u>
Changes in non-cash working capital:		
Accounts receivable	9,683	9,515
Prepaid expenses	(3,435)	(4,529)
Accounts payable and accrued liabilities	(9,935)	683
Deferred rental revenue	(193)	-
Deferred contributions	40,703	-
	<u>77,403</u>	<u>(6,231)</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>(75,085)</u>	<u>(342,575)</u>
Net increase (decrease) in cash	2,318	(348,806)
Cash, beginning of the year	<u>1,625</u>	<u>350,431</u>
Cash, end of the year	\$ 3,943	\$ 1,625

Kindle Communities Organization Notes to Financial Statements

March 31, 2020

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	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, 2020

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, 2020

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. At year-end, the credit risk related to the Organization's accounts receivable has increased due to the impact of COVID-19, which could lead to potential losses.

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. At year-end, the liquidity risk related to the Organization's accounts payable has increased due to the impact of COVID-19, which could lead to increased difficulty in meeting the Organization's obligations as they come due.

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 338,800	\$ -	\$ 338,800	\$ -
Buildings	2,887,153	1,390,352	2,887,153	1,311,573
Parking area	174,777	130,597	174,777	126,755
Shelldale renovation	75,085	-	-	-
	3,475,815	1,520,949	3,400,730	1,438,328
		\$ 1,954,866		\$ 1,962,402

Kindle Communities Organization Notes to Financial Statements

March 31, 2020

5. 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 2021.

The minimum administrative support payment for the next year is \$33,384.

The minimum property management payment for the next year is \$26,520.

Subsequent to year end, the Organization entered into an agreement with an unrelated entity for renovation work to be done on the Shelldale building. The total amount payable under the agreement is \$1,298,794. The Organization has entered into a finance agreement with its chartered bank which will cover the cost of the renovation work.

6. Related Party Transactions

Rental revenue for the year includes amounts collected from the Society, a related party, totaling \$131,952 (2019 - \$125,233), which generated 41% (2019 - 37%) of the total rental revenue for the year.

Included in rental deposits is a total of \$6,054 (2019 - \$6,054) in rental deposits received from the Society.

Included in deferred contributions is a total of \$39,894 in rental monies received in advance from the Society.

Included in office and administrative expenses is \$34,344 (2019 - \$39,446) which represents administrative support costs paid to the Society. This amount is based on 10% of the rental revenues for the year.

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.

Kindle Communities Organization Notes to Financial Statements

March 31, 2020

7. 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 Company 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.

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