

Agape Centre (Help to the Needy) Cornwall Inc.
Financial Statements
March 31, 2020

Agape Centre (Help to the Needy) Cornwall Inc.

Contents

For the year ended March 31, 2020

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Independent Auditor's Report

To the Members of Agape Centre (Help to the Needy) Cornwall Inc.:

Qualified Opinion

We have audited the financial statements of Agape Centre (Help to the Needy) Cornwall Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2020, 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, 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 the Organization as at March 31, 2020, 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 Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations, fundraising activities and the sale of donated goods, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations, fundraising events and Thrift store revenues, excess (deficiency) of revenue over expenses and cash flows from operations for the years ended March 31, 2020 and March 31, 2019, assets as at March 31, 2020 and March 31, 2019 and fund balances as at April 1 and March 31 for both 2020 and 2019 years. The audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of possible effects of this limitation in scope.

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 qualified 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 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 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.

Cornwall, Ontario

November 26, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Agape Centre (Help to the Needy) Cornwall Inc.

Statement of Financial Position

As at March 31, 2020

	<i>Invested in Capital Assets</i>	<i>Operating Fund</i>	2020	2019
Assets				
Current				
Cash	-	92,162	92,162	43,676
Accounts receivable	-	9,067	9,067	15,293
Prepaid expenses	-	5,986	5,986	8,512
	-	107,215	107,215	67,481
Capital assets (Note 3)	1,366,722	-	1,366,722	1,425,905
	1,366,722	107,215	1,473,937	1,493,386
Liabilities				
Current				
Accounts payable (Note 5)	-	48,696	48,696	54,387
Current portion of long-term debt and callable debt (Note 6)	6,689	-	6,689	276,667
	6,689	48,696	55,385	331,054
Long-term debt and callable debt (Note 6)	242,611	-	242,611	-
Deferred contributions (Note 7)	831,260	-	831,260	869,508
	1,080,560	48,696	1,129,256	1,200,562
Net Assets				
Fund balances	286,162	58,519	344,681	292,824
	1,366,722	107,215	1,473,937	1,493,386

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

Agape Centre (Help to the Needy) Cornwall Inc.

Statement of Operations

For the year ended March 31, 2020

	Invested in Capital Assets	Operating Fund	2020	2019
Revenue				
Thrift store	-	392,355	392,355	387,173
Donations	-	218,702	218,702	226,795
Fundraising events	-	81,544	81,544	91,965
Amortization of deferred contributions	38,248	-	38,248	42,353
Grants	-	19,656	19,656	49,181
Soup kitchen	-	7,457	7,457	7,434
Miscellaneous	-	366	366	899
	38,248	720,080	758,328	805,800
Expenses (Note 8)				
Salaries and benefits	-	412,293	412,293	492,744
Amortization of capital assets	59,182	-	59,182	66,470
Utilities	-	33,223	33,223	39,114
Fundraising and advertising	-	32,848	32,848	32,863
Professional and contractual fees	-	25,026	25,026	12,503
Repairs and maintenance	-	23,274	23,274	17,813
Janitorial	-	16,858	16,858	23,535
Vehicle and travel	-	15,017	15,017	6,795
Insurance	-	14,962	14,962	13,438
Interest on long-term debt and callable debt	-	19,636	19,636	15,357
Food	-	9,015	9,015	25,027
Interest and bank charges	-	7,870	7,870	6,904
Waste disposal	-	7,551	7,551	7,090
Office and computer supplies	-	6,642	6,642	6,701
Property and water taxes	-	6,191	6,191	5,688
Telecommunications	-	5,087	5,087	4,815
Recognition and appreciation	-	3,605	3,605	4,865
Thrift store	-	2,509	2,509	2,932
Membership dues	-	2,385	2,385	3,226
Kitchen	-	1,825	1,825	1,919
Meetings and training	-	1,361	1,361	2,043
Garden	-	111	111	1,324
	59,182	647,289	706,471	793,166
Excess (deficiency) of revenue over expenses	(20,934)	72,791	51,857	12,634

The accompanying notes are an integral part of these financial statements

Agape Centre (Help to the Needy) Cornwall Inc.
Statement of Changes in Net Assets

For the year ended March 31, 2020

	<i>Invested in Capital Assets</i>	<i>Operating Fund</i>	2020	<i>2019</i>
Net assets, beginning of year	279,729	13,095	292,824	280,190
Excess (deficiency) of revenue over expenses	(20,934)	72,791	51,857	12,634
	258,795	85,886	344,681	292,824
Net payments of long-term debt	27,367	(27,367)	-	-
Net assets, end of year	286,162	58,519	344,681	292,824

The accompanying notes are an integral part of these financial statements

Agape Centre (Help to the Needy) Cornwall Inc.

Statement of Cash Flows

For the year ended March 31, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	51,857	12,634
Amortization of deferred contributions	(38,248)	(42,353)
Amortization of capital assets	59,183	66,470
Changes in working capital accounts		
Accounts receivable	6,226	2
Prepaid expenses	2,526	(1,798)
Accounts payable	(5,691)	(3,809)
Deferred contributions	-	(38,681)
	75,853	(7,535)
Financing		
Advances of long-term debt	249,300	-
Repayment of callable debt	(276,667)	(33,333)
Deferred contributions received	-	12,576
	(27,367)	(20,757)
Investing		
Purchase of capital assets	-	(7,576)
Increase (decrease) in cash resources	48,486	(35,868)
Cash resources, beginning of year	43,676	79,544
Cash resources, end of year	92,162	43,676

The accompanying notes are an integral part of these financial statements

Agape Centre (Help to the Needy) Cornwall Inc.

Notes to the Financial Statements

For the year ended March 31, 2020

1. Incorporation and nature of the organization

Agape Centre (Help to the Needy) Cornwall Inc. (the "Organization") was incorporated without share capital under the authority of the Ontario's Corporation Act as Agape Centre (Help to the Needy) Cornwall Inc./Centre Agape (Assistance aux Demunis) Cornwall Inc. and is a registered charity and thus is exempt from income taxes under the Income Tax Act ("the Act").

The Organization is provides food and clothing to individuals in need in Cornwall, Ontario.

2. 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:

Fund accounting

The Organization follows the deferral method of accounting for contributions and reports using fund accounting, and maintains two funds: the Operating Fund and the Invested in Capital Assets Fund.

The Operating Fund reports the Organization's revenue and expenses related to program delivery and administrative activities.

The Invested in Capital Assets fund reports the Organization's net book value of the capital assets purchased by the Organization less long-term debt and deferred contributions related to the funding of those assets.

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions for capital assets are deferred and amortized to income at the same rate used to amortize the cost of the related asset. Unrestricted contributions are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue in the Operating Fund when earned.

Revenue from fundraising events is recorded when the event has been completed. Revenue from the Thrift store is recognized when the goods are transferred to the customer.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and any short-term investments with maturities of three months or less. Any cash subject to restrictions that prevent its use for current purposes is included in restricted cash. The Organization did not have any cash equivalents or restricted cash as at March 31, 2020 and 2019.

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.

Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives as follows:

	Method	Years
Buildings	straight-line	40 years
Automotive	straight-line	5 years
Computer equipment and software	straight-line	5 years
Equipment	straight-line	5 years

Agape Centre (Help to the Needy) Cornwall Inc.

Notes to the Financial Statements

For the year ended March 31, 2020

2. Significant accounting policies (Continued from previous page)

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Organization's ability to provide goods and services. The asset is also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Organization determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value or replacement cost as determined on an asset-by-asset basis.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations only when a fair value can be reasonably estimated and when the materials are used in the normal course of the Organization's operations and would otherwise have been purchased. Contributions of materials and services not recorded consist of donated clothes and goods for sale at the Thrift store and volunteer hours provided at the Organization.

Allocation of expenses

The Organization engages in fundraising programs. The costs of each program include the costs of personnel, supplies, and other expenses that are directly related to providing the program. The Organization also incurs a number of general support expenses that are common to the administration of the Organization and each of its programs.

The Organization allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year.

Other general support expenses are allocated on the following basis:

Accounting and finance department costs – proportionately on the same percentage as the direct salaries and benefits of the program.

Building ownership and occupancy costs – proportionately on the basis of the area each program occupies.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such election.

All financial instruments are subsequently measured at amortized cost.

Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Agape Centre (Help to the Needy) Cornwall Inc.

Notes to the Financial Statements

For the year ended March 31, 2020

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

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization 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; 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 excess (deficiency) of revenue over expenses.

The Organization 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 the excess (deficiency) of revenue over expenses in the year the reversal occurs.

Measurement uncertainty (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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets and deferred contributions is based on the estimated useful lives of capital assets.

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 years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenue over expenses in the years in which they become known.

3. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	68,000	-	68,000	68,000
Buildings	2,006,090	727,491	1,278,599	1,324,450
Automotive	28,374	28,374	-	-
Computer equipment and software	52,555	43,878	8,677	11,932
Equipment	142,774	131,328	11,446	21,523
	2,297,793	931,071	1,366,722	1,425,905

4. Bank loan

The Organization has an authorized revolving line of credit of \$10,000 bearing interest at the bank's prime rate plus 1% per annum secured by a mortgage on the Organization's property and a general security agreement over all assets and income of the Organization. The line of credit drawn as at March 31, 2020 was Nil (2019 - Nil).

5. Accounts payable

Included in accounts payable are government remittances payable of \$10,969 (2019 - \$3,925).

Agape Centre (Help to the Needy) Cornwall Inc.
Notes to the Financial Statements
For the year ended March 31, 2020

6. Long-term debt and callable debt

	2020	2019
Mortgage, interest at 4.75% per annum, repayable in monthly blended installments of \$1,532, due March 2025, secured by land and building, an assignment of rent charged on the property and a general security over all assets and income of the Organization	249,300	-
Mortgage, interest at prime plus 1.5% per annum, due on demand, repaid during the year	-	276,667
	249,300	276,667
Less: Current portion	6,689	-
Less: Callable debt	-	276,667
	242,611	-

Principal repayments on long-term debt in each of the next five years are as follows:

2021	6,689
2022	7,014
2023	7,354
2024	7,711
2025	220,532
	249,300

7. Deferred contributions

	<i>"Within these Walls" Building Improvement Campaign</i>	<i>Original Building Capital Campaign</i>	<i>Equipment Grants</i>	2020	2019
Balance, beginning of year	553,354	286,808	29,346	869,508	899,285
Contributions received	-	-	-	-	12,576
Amortization	(19,081)	(9,890)	(9,277)	(38,248)	(42,353)
Balance, end of year	534,273	276,918	20,069	831,260	869,508

8. Allocation of expenses by program

	2020	2019
Community programs	5,322	38,508
Food bank	123,952	141,905
Soup kitchen	102,317	113,643
Thrift store	248,197	285,616
Fundraising activities	28,949	36,331
Administration	118,915	95,336
Amortization of capital assets	59,183	66,470
Interest on long-term debt	19,636	15,357
	706,471	793,166

Agape Centre (Help to the Needy) Cornwall Inc.
Notes to the Financial Statements
For the year ended March 31, 2020

9. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization 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 Organization has a fixed interest rate on its mortgage. Consequently, the exposure to fluctuations in future cash flows as a result of changes in market interest rates is limited.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the organization's cash requirements.

10. Significant event

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Organization's operations and financial condition.