

**THE NEIGHBOURHOOD LAND TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

THE NEIGHBOURHOOD LAND TRUST
Financial Statements
December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Neighbourhood Land Trust

Opinion

We have audited the financial statements of The Neighbourhood Land Trust, which comprise the statement of financial position as at December 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 December 31, 2020, and its results of 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 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.

Other Matter

The financial statements of the organization for the year ended December 31, 2019 were audited by another auditor who expressed a qualified opinion on those financial statements on June 8, 2020.

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.

INDEPENDENT AUDITOR'S REPORT, continued

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.

Raffan Sherdel & Associates Professional Corporation

Chartered Professional Accountants
Licensed Public Accountant
Toronto, Canada
April 28, 2021

THE NEIGHBOURHOOD LAND TRUST

Statement of Financial Position

December 31, 2020

	2020	2019
Assets		
Current		
Cash	\$ 188,379	\$ 273,683
Accounts receivable (note 2)	91,056	184,568
HST rebate receivable	62,359	44,158
Prepays and deposits	42,717	798
Total Current	384,511	503,207
Property and equipment (note 3)	3,053,961	2,980,752
Total Assets	\$ 3,438,472	\$ 3,483,959
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 48,947	\$ 147,441
Government remittances payable	7,490	2,637
Deferred contributions	60,600	38,872
Current portion of mortgage payable (note 5)	20,166	937,822
Total Current	137,203	1,126,772
Loan payable (note 4)	2,080,412	2,101,426
Mortgage payable (note 5)	900,575	-
Total Liabilities	3,118,190	3,228,198
Fund Balances		
Invested in Property and Equipment	52,808	(58,496)
Preserve and Protect Fund	100,000	-
Unrestricted	167,474	314,257
Total Fund Balances	320,282	255,761
Total Liabilities and Fund Balances	\$ 3,438,472	\$ 3,483,959

Approved on behalf of the Board:

Ayal Dinner Member

 Member

THE NEIGHBOURHOOD LAND TRUST
Statement of Changes in Net Assets
Year ended December 31, 2020

	Invested in Property and Equipment	Preserve and Protect Fund	Unrestricted	Total 2020	Total 2019
Balance, beginning of year	\$ (58,496)	\$ -	\$ 314,257	\$ 255,761	\$ 88,367
Excess (deficiency) of revenues over expenditures	(14,191)	-	78,712	64,521	167,394
Investment in property and equipment (note 7)	125,495	-	(125,495)	-	-
Inter-fund transfer (note 7)	-	100,000	(100,000)	-	-
Balance, end of year	\$ 52,808	\$ 100,000	\$ 167,474	\$ 320,282	\$ 255,761

THE NEIGHBOURHOOD LAND TRUST

Statement of Operations

Year ended December 31, 2020

	2020	2019
Revenues		
Foundation grants	\$ 128,336	\$ 186,301
Government grants	116,210	97,012
Canada emergency wage subsidy	80,651	-
Rental	58,000	38,667
Donations	34,374	106,377
Loan forgiveness (note 4)	21,014	-
Other	16,612	11,000
Total revenues	455,197	439,357
Expenditures		
Wages and benefits	216,287	134,757
Professional fees	51,642	58,376
Amortization	35,205	16,781
Mortgage interest	31,015	26,464
Office and general	9,921	8,337
Governance	9,900	6,455
Professional development	9,282	-
Honorariums	7,922	4,240
Project planning and research	5,165	5,518
Communications	4,712	333
Insurance	4,319	3,052
Rent	3,800	6,250
Fundraising	888	731
Travel	618	669
Total expenditures	390,676	271,963
Excess of revenues over expenditures for the year	\$ 64,521	\$ 167,394

THE NEIGHBOURHOOD LAND TRUST**Statement of Cash Flows**

Year ended December 31, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$ 64,521	\$ 167,394
Adjustment for non-cash item		
Amortization	35,205	16,781
	99,726	184,175
Net change in non-cash working capital items		
Accounts receivable	93,512	(164,165)
HST rebate receivable	(18,201)	(42,956)
Prepays and deposits	(41,919)	(295)
Accounts payable and accrued liabilities	(98,494)	145,132
Government remittances payable	4,853	2,637
Deferred contributions	21,728	(47,384)
	(38,521)	(107,031)
Cash Provided by Operating Activities	61,205	77,144
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(108,414)	(2,912,821)
Cash Used in Investing Activities	(108,414)	(2,912,821)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan payable	(21,014)	2,101,426
Mortgage payable	(17,081)	937,822
Cash (Used in) Provided by Financing Activities	(38,095)	3,039,248
Net (decrease) increase in cash	(85,304)	203,571
Cash, beginning of year	273,683	70,112
Cash, end of year	\$ 188,379	\$ 273,683

THE NEIGHBOURHOOD LAND TRUST

Notes to the Financial Statements

December 31, 2020

NATURE OF OPERATIONS

The Neighbourhood Land Trust is a not-for-profit organization incorporated without share capital in the Province of Ontario and is exempt from income tax as a registered charity under the Income Tax Act (Canada).

The organization seeks to build a just, healthy, and inclusive neighbourhood in Toronto through the acquisition and management of land using the unique community ownership model of a community Land Trust, which promotes long-term community benefits, affordability, and enables democratic local planning.

1. SIGNIFICANT ACCOUNTING POLICIES

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

(a) Fund accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting by which resources for various purposes are classified for accounting and reporting purposes into funds relating to the specific activities and operations. These funds are as follows:

(i) Unrestricted fund

This fund accounts for the organization's operations and administrative activities and reports unrestricted contributions and expenditures.

(ii) Invested in property and equipment

This fund accounts for the organization's property and equipment activities and reports restricted contributions and expenditures.

(iii) Preserve and Protect

This fund is internally restricted and accounts for development activities related to affordable housing projects.

(b) Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of property and equipment that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment. Restricted contributions for the purchase of property and equipment that will not be amortized are recognized as a direct increase in net assets to the invested in property and equipment balance.

Rental, investment and other income are recognized on the accrual basis as earned.

THE NEIGHBOURHOOD LAND TRUST

Notes to the Financial Statements

December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Property and equipment

Property and equipment are accounted for at cost and amortized over their estimated useful life using the following methods and rates or duration.

Building	50 years Straight-line
Furniture and fixtures	20% Declining balance

(d) Impairment of long-lived assets

Property and equipment subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying amount exceeds the sum of the undiscounted cash flows resulting from their use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

(e) Contributed materials and services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to difficulty of compiling these hours, contributed services are not recognized in the financial statements. The fair market value of donated property and equipment is recognized as donation revenue in the year the property and equipment are donated, if the fair market value can be reasonably estimated.

(f) Financial instruments

(i) Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash, accounts receivable and HST rebate receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable, mortgage payable and loan payable.

The organization has not designated any financial asset or financial liability to be measured at fair value.

THE NEIGHBOURHOOD LAND TRUST

Notes to the Financial Statements

December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Financial instruments, continued

(ii) Impairment

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenditures.

(g) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenditures for the period covered. The main estimates relate to the impairment of financial assets and useful life of property and equipment.

2. ACCOUNTS RECEIVABLE

	2020	2019
Government of Canada	\$ 56,880	\$ 61,143
Parkdale Activity-Recreation Centre (Toronto)	29,744	7,572
Other	4,432	15,853
The Murtaugh Fund	-	100,000
	\$ 91,056	\$ 184,568

3. PROPERTY AND EQUIPMENT

	2020		2019	
	Cost	Accumulated amortization	Net	Net
Land - 87 Milky Way	\$ 84,712	\$ -	\$ 84,712	\$ 84,712
Land - 26 Maynard Avenue	1,234,692	-	1,234,692	1,234,692
Building	1,780,338	51,366	1,728,972	1,661,348
Furniture and fixtures	6,205	620	5,585	-
	\$ 3,105,947	\$ 51,986	\$ 3,053,961	\$ 2,980,752

THE NEIGHBOURHOOD LAND TRUST

Notes to the Financial Statements

December 31, 2020

4. LOAN PAYABLE

The organization entered into a funding agreement with the City of Toronto to acquire and operate an affordable housing project located at 26 Maynard Avenue in 2019. Under the agreement, the organization received a grant in the amount of \$2,101,426 by way of a forgivable loan to be used for the purchase and renovation of the property which must be used to provide housing at below-market rents for a period of 99 years.

The loan is secured by the property and will be forgiven by one per cent on each anniversary date of the advance made to the organization. In the event of a default, the outstanding balance of the loan is repayable to the City of Toronto.

	2020	2019
Forgivable loan	\$ 2,101,426	\$ 2,101,426
Forgiven balance	(21,014)	-
	\$ 2,080,412	\$ 2,101,426

5. MORTGAGE PAYABLE

	2020	2019
The mortgage payable matures on May 12, 2030 and bears interest at a rate of 2.86% per annum, repayable in blended monthly payments of \$3,853. The mortgage is secured by the property located at 26 Maynard Avenue and a general assignment of rents.	\$ 920,741	\$ 937,822
Less current portion	20,166	937,822
Due beyond one year	\$ 900,575	\$ -

Estimated principal repayments are as follows:

2021	\$ 20,166
2022	20,750
2023	21,351
2024	21,970
2025	22,607
Subsequent years	813,897
	\$ 920,741

THE NEIGHBOURHOOD LAND TRUST

Notes to the Financial Statements

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6. CONTRACTUAL OBLIGATIONS

During fiscal 2019, the organization entered into an agreement to lease 26 Maynard Avenue to Parkdale Activity-Recreation Centre (Toronto) to operate an affordable housing project consistent with the requirements of the funding agreement described in Note 4. The term of the lease is forty-nine years, ending on May 1, 2068. The agreement stipulates the following among other terms:

- (a) The organization will receive a minimum annual rent of \$58,000, receivable in equal monthly installments.
 - (b) The organization, in addition to minimum rent, will receive an annual percentage rent as determined in accordance with the provisions of the agreement.
 - (c) The organization will establish a capital reserve fund for major replacement and repairs and will receive an annual capital reserve contribution from the tenant that is equal to the greater of 4% of rental revenue and the amount determined in accordance with the provisions of the agreement.
-

7. INTER-FUND TRANSFERS

During the current year \$125,495 was transferred from the unrestricted fund to the invested in property and equipment fund. \$17,081 was required for principal repayment on the mortgage payable and \$108,414 for property and equipment renovations and acquisition.

In addition during the current year \$100,000 was transferred from unrestricted fund to preserve and protect fund.

8. SUBSEQUENT EVENT

Subsequent to the year end, the organization acquired a property located at 22 Maynard Avenue for a purchase price of \$7,550,000. The acquisition is financed by loans. The property has 36 units and will be operated as an affordable housing project.

9. UNCERTAINTY DUE TO COVID-19

Many businesses and organizations across Canada have been negatively affected by the COVID-19 pandemic and the resulting downturn in the overall economy. The impact on the organization's operations and financial reporting are uncertain and cannot be determined at this time.

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10. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relates to its accounts receivable and HST rebate receivable.

(b) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its trade accounts payable, government remittances payable and mortgage payable. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk.

(i) 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. Fixed rate instruments subject the organization to a fair value risk while the floating rate instruments subject the organization to cash flow risk. The organization is exposed to this type of risk as a result of its mortgage payable. To minimize exposure to this risk, the organization has obtained a 10 year fixed rate mortgage.
