Ve'ahavta
Financial Statements
Year ended December 31, 2018

LIPTON
Assurance • Tax • Advisory

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Financial Statements
Year ended December 31, 2018

Contents

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Assurance ▪ Tax ▪ Advisory

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Independent Auditors' Report

To the Board of Directors of
Ve'ahavta

Qualified Opinion

We have audited the financial statements of Ve'ahavta (the "Organization"), which comprise the statement of financial position as at December 31, 2018, 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 Ve'ahavta as at December 31, 2018, 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 not-for-profit organizations, the Organization derives revenue from fundraising activities as part of its operations. The completeness of both cash donations and contributed goods and services revenue is not susceptible to satisfactory audit verification. Accordingly, 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 revenue, contributed goods and services revenue, excess of revenues over expenses, and cash flows used in operating activities for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the 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 *Auditors' 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.

Independent Auditors' Report (Continued)

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

Lipton LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 28, 2019

Ve'ahavta
Statement of Financial Position
As at December 31, 2018

	Notes	2018	2017 (Restated - Note 12)
Assets			
Current			
Cash		$ 170,526	$ 344,434
Investments		193,134	123,849
Accounts receivable	3	118,278	122,936
Barter trade account	4	-	18,093
Government remittances recoverable		45,147	37,573
Prepaid expenses and other assets		16,877	17,324
		543,962	664,210
Capital assets	5	22,229	19,765
		$ 566,191	$ 683,975
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 107,553	$ 114,006
Barter trade account	4	23,053	-
Deferred contributions	6	93,157	213,800
		223,763	327,806
Bank facility	7		
Commitments	8		
Net Assets			
Unrestricted		205,428	219,169
Internally restricted		137,000	137,000
		342,428	356,169
		$ 566,191	$ 683,975

See accompanying notes to the financial statements

Approved on behalf of the Board of Directors:

Director

Director

Ve'ahavta
Statement of Operations
Year ended December 31, 2018

	Notes	2018	2017
Revenues			
Donations		$ 2,075,115	$ 1,903,261
Government grants	9	308,000	364,000
Contributed goods and services		224,665	149,076
Investment income		4,882	11,073
		2,612,662	2,427,410
Expenses			
Charitable programs and services	10		
Homeless		$ 435,999	$ 426,886
Ve'ahavta street academy		338,137	433,372
Community engagement		264,392	283,557
Meal box program		204,764	160,863
My Toronto		261,913	178,816
BFW		315,994	-
Kenora		-	1,691
Creative writing program		-	8,247
Crisis response		17,324	47,016
Other program		23,814	20,312
		1,862,337	1,560,760
Fundraising	10	529,382	464,289
General, administration and communication	10	234,684	316,310
		2,626,403	2,341,359
Excess (deficiency) of revenues over expenses		$ (13,741)	$ 86,051

See accompanying notes to the financial statements

Ve'ahavta
Statement of Changes in Net Assets
Year ended December 31, 2018

	Notes	Unrestricted	Internally Restricted	Total
		(Restated - Note 12)	(Restated - Note 12)	(Restated - Note 12)
Net assets - January 1, 2017, as previously reported		$ 101,118	$ 69,000	$ 170,118
Correction of error	13	100,000	-	100,000
Net assets - January 1, 2017, as restated		201,118	69,000	270,118
Excess of revenues over expenses		86,051	-	86,051
Transfer to internally restricted net assets		(68,000)	68,000	-
Net assets - December 31, 2017		219,169	137,000	356,169
Deficiency of revenues over expenses		(13,741)	-	(13,741)
Net assets - December 31, 2018		$ 205,428	$ 137,000	$ 342,428

See accompanying notes to the financial statements

Ve'ahavta
Statement of Cash Flows
Year ended December 31, 2018

	Notes	2018	2017
Operating activities			
Excess (deficiency) of revenues over expenses		$ (13,741)	$ 86,051
Item not affecting cash:			
Change in fair value of investments		2,402	(10,734)
Loss on disposal of capital assets		2,880	-
Amortization		5,502	5,242
		(2,957)	80,559
Net changes in non-cash working capital	11	(88,419)	(41,890)
Cash flows provided by (used in) operating activities		(91,376)	38,669
Investing activities			
Purchase of investments		(100,000)	-
Receipt of interest earned on investments		28,314	-
Purchase of capital assets		(10,846)	(2,029)
Cash flows used in investing activities		(82,532)	(2,029)
Net change in cash		(173,908)	36,640
Cash - beginning of year		344,434	307,794
Cash - end of year		$ 170,526	$ 344,434

See accompanying notes to the financial statements

1. Purpose of the organization

The purpose of Ve'ahavta, a registered charity, is to engage in activism and efforts to help the Jewish and non-Jewish world in the areas of relief and humanitarian assistance. Ve'ahavta is incorporated under the Canada Corporations Act, as a not-for-profit organization as described in Section 149(l)(1) of the Income Tax Act (Canada), and is not subject to Federal or Provincial income taxes.

2. Significant accounting policies

The financial statements of the Organization are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Management estimates

The preparation of these 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 the 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. These estimates are reviewed periodically and adjustments are made as appropriate in the year they become known. Significant management estimates include the useful lives of capital assets, the fair value of contributed goods and services, accrued liabilities, and salary and occupancy cost allocations to programs.

(b) Capital assets

Capital assets are stated using cost less accumulated amortization. Amortization is recorded over the estimated useful lives of the assets using the declining balance method at the following rates:

Office equipment and furniture	20%
Computer hardware	30%
Computer software	30%

Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives, and the term of the lease.

(c) Revenue recognition

Ve'ahavta follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for which the related expenses are not yet incurred are reported on the statement of financial position as deferred contributions. Unrestricted contributions are recognized as revenue in the year received or receivable.

Pledges receivable are recognized only if the amount to be received can be reasonably estimated and collection is reasonably assured. Ve'ahavta does not recognize pledges receivable that are due 90 days past the date of the financial statements.

2. Significant accounting policies (continued)

(d) Contributed goods and services

(i) Contributed goods

Contributed goods are recorded as revenue at their fair value with a corresponding expense being allocated to the respective program. Ve'ahavta only recognizes contributed goods when the fair value can be reasonably estimated and the goods would have otherwise been purchased in the normal course of operations.

(ii) Contributed services

Ve'ahavta would not be able to carry out its programs without the services of volunteers who contribute a considerable number of hours. These volunteer hours are recorded as revenue at their fair value, with a corresponding expense being allocated to the respective programs. Ve'ahavta only recognizes volunteer hours relating to programs and not those related to administrative services. This policy is based on the assessment that the services received with respect to program initiatives are those which would have otherwise been required to conduct activities in the normal course of operations.

(e) Financial instruments

Ve'ahavta initially measures its financial instruments at fair value and subsequently at amortized cost except for investments, which are subsequently measured at fair value. Changes in the fair value of investments are recognized in excess (deficiency) of revenues over expenses in the period in which they occur.

Financial assets subsequently measured at amortized cost include cash and accounts receivable (excluding pledges receivable). Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

(f) Barter credits

Barter credits represent credits with the Barter Network Ltd. that can be used in exchange for goods and services but cannot be exchanged for cash. Administration fees related to the exchange are recorded in the period the exchange takes place.

(g) Internally restricted funds

Ve'ahavta, through the Board of Directors' resolution, is to maintain a reserve fund based on a predetermined formula. Ve'ahavta may not use these internally restricted funds without the approval of the Board of Directors.

(h) Allocation of expenses

Ve'ahavta classifies expenses on the statement of operations by function. Ve'ahavta allocates costs by identifying an appropriate basis of allocation and applying it on a consistent basis. Ve'ahavta allocates certain expenses on the following basis:

(i) Salaries and benefits are allocated based on the estimated hours worked within each function; and
(ii) Administrative, occupancy, professional fees and amortization costs are allocated based on the proportionate head count of each function.

3. Accounts receivable

		2018		2017
Grants	$	72,447	$	76,536
Pledges receivable		45,831		46,400
	$	118,278	$	122,936

During the year, the Organization recorded $118,278 (2017 - $122,936) of pledges as revenue.

4. Barter trade account

		2018	2017
Barter trade account - beginning of year	$	18,093	19,520
Donations received		95,610	104,319
Expenses incurred		(136,756)	(105,746)
Barter trade account - end of year	$	(23,053)	18,093

5. Capital assets

				Accumulated		Net book value		
		Cost		amortization		2018		2017
Office equipment and furniture	$	77,178	$	64,659	$	12,519	$	15,650
Computer hardware		1,041		156		885		3,368
Computer software		-		-		-		747
Leasehold improvements		9,805		980		8,825		-
	$	88,024	$	65,795	$	22,229	$	19,765

6. Deferred contributions

		2018		2017
Deferred contributions - beginning of year	$	213,800	$	186,063
Restricted contributions received during year		280,210		947,627
Amount recognized as revenue during year		(400,853)		(919,890)
Deferred contributions - end of year	$	93,157	$	213,800

7. Bank facility

Ve'ahavta has a $15,500 (2017 - $15,500) demand loan facility with its bank which bears interest at the bank's prime rate plus 2.95% (2017 - 2.95%) per annum. No amounts were utilized as at December 31, 2018 or 2017. The loan is secured by a general security agreement constituting a first ranking security on all property of Ve'ahavta.

8. Commitments

The following is a summary of Ve'ahavta's minimum operating lease obligations due in future fiscal years:

	Building	Equipment	Total
2019	$ 74,200	$ 3,863	$ 78,063
2020	74,200	3,492	77,692
2021	18,550	2,037	20,587
	$ 166,950	$ 9,392	$ 176,342

In addition, Ve'ahavta is required to pay certain other occupancy costs for its building lease.

9. Government grants revenue

The following is a summary of Ve'ahavta's government grants revenue:

	2018	2017
Ontario Trillium Foundation - BFW	$ 137,600	$ -
City of Toronto - Ve'ahavta Street Academy	89,540	227,600
City of Toronto - Investing in Neighbourhoods Initiative	73,460	66,400
Ontario Trillium Foundation - Meal box program	7,400	67,500
Ontario Trillium Foundation - Other	-	2,500
	$ 308,000	$ 364,000

10. Allocation of expenses

Salaries and benefits as well as other program and general operating expenses, including occupancy costs, administrative costs, professional fees and amortization, were allocated to the fundraising, marketing and program functions as follows:

	2018	2017
Salaries and benefits	$ 1,505,719	$ 1,302,139
Other program and general operating expenses	1,120,684	1,039,220
	2,626,403	2,341,359
Expenses allocated to programs	1,862,337	1,560,760
Percentage of expenses allocated to programs	71%	67%

The breakdown of salaries and benefits and other program and general operating expenses for fundraising and charitable programs and services are as follows:

2018	Fundraising	Charitable programs and services
Salaries and benefits	$ 265,371	$ 1,138,824
General support expenses	27,724	164,855
	$ 293,095	$ 1,303,679

10. Allocation of expenses (continued)

2017		Fundraising		Charitable programs and services
Salaries and benefits	$	244,661	$	860,415
General support expenses		17,985		189,994
	$	262,646	$	1,050,409

11. Net changes in non-cash working capital

		2018		2017
Decrease (increase) in accounts receivable	$	4,658	$	(56,114)
Decrease (increase) in government remittances recoverable		(7,574)		10,610
Decrease (increase) in prepaid expenses and other assets		447		(286)
Decrease in accounts payable and accrued liabilities		(6,453)		(25,264)
Increase in barter trade account		41,146		1,427
Increase (decrease) in deferred contributions		(120,643)		27,737
	$	(88,419)	$	(41,890)

12. Financial instruments

Ve'ahavta is exposed to the following risks through its financial instruments:

(a) 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. Ve'ahavta is exposed to credit risk with respect to its accounts receivable. Ve'ahavta assesses, on a continuous basis, accounts receivable on the basis of whether the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(b) Liquidity risk

Liquidity risk is the risk that the Organization will be unable to meet its cash requirements or to fund its obligations as they become due. Ve'ahavta is exposed to liquidity risk with respect to its accounts payable and accrued liabilities. Amounts owing are generally repaid within 30 days; and as such, management does not believe its exposure to liquidity risk is significant.

13. Restatement of prior period results

During the year, the Organization determined that it had failed to recognize a donated investment as an unrestricted contribution in the period it was received. Accordingly, the Organization has restated its prior period financial statements to correct this error. The impact of the correction of this error on the Organization's financial statements as at and for the year ended December 31, 2017 is as follows:

	As previously reported	Effect of correction of error	As restated
Balance Sheet			
Investment	$ -	$ 123,849	$ 123,849
Accounts receivable	146,785	(23,849)	122,936
Net assets - beginning	170,118	100,000	270,118
Net assets - end	256,169	100,000	356,169
Statement of Net Assets			
Net assets - beginning	170,118	100,000	270,118
Net assets - end	256,169	100,000	356,169

14. Comparative figures

Certain figures in the 2017 comparative financial statements have been reclassified to conform with the basis of presentation used in 2018.