Ve'ahavta
Financial Statements
Year ended December 31, 2017

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Financial Statements
Year ended December 31, 2017

Contents

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Independent Auditors' Report

To the Board of Directors of
Ve'ahavta

Report on the Financial Statements

We have audited the accompanying financial statements of Ve'ahavta, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditors' Report (continued)

Basis for Qualified Opinion

In common with many not-for-profit organizations, Ve'ahavta derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Ve'ahavta. 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 provided by operating activities for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ve'ahavta as at December 31, 2017, and the results of operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Lipton LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 19, 2018

Ve'ahavta
Statement of Financial Position
As at December 31, 2017

	Notes	2017	2016
Assets			
Current			
Cash		$ 344,434	$ 307,794
Accounts receivable	3	146,785	79,937
Barter trade account	4	18,093	19,520
Sales taxes recoverable		37,573	48,183
Prepaid expenses and other assets		17,324	17,038
		564,209	472,472
Capital assets	5	19,765	22,978
		$ 583,974	$ 495,450
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 114,005	$ 139,269
Deferred contributions	6	213,800	186,063
		327,805	325,332
Bank facility	7		
Commitments	8		
Net Assets			
Unrestricted		119,169	101,118
Internally restricted		137,000	69,000
		256,169	170,118
		$ 583,974	$ 495,450

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, 2017

	Notes	2017	2016 (As restated - Note 12)
Revenues			
Donations		$ 1,903,261	$ 1,878,913
Government grants		364,000	365,900
Contributed goods and services		149,076	178,618
Investment income grant		11,073	3,778
		2,427,410	2,427,209
Expenses			
Charitable programs and services	9		
Homeless		$ 426,886	$ 454,218
Ve'ahavta Street Academy		433,372	405,670
Community engagement		283,557	271,617
Meal box program		160,863	-
My Toronto		178,816	6,436
Impact India		-	68,589
Kenora		1,691	66,981
Creative writing program		8,247	53,230
Crisis Response		47,016	37,261
Other program		20,312	20,629
		1,560,760	1,384,631
Fundraising	9	464,289	579,557
General and administration	9	172,350	243,848
Communication	9	143,960	151,330
		2,341,359	2,359,366
Excess of revenue over expenses		$ 86,051	$ 67,843

See accompanying notes to the financial statements

Ve'ahavta

Statement of Changes in Net Assets
Year ended December 31, 2017

	Unrestricted	Internally Restricted	Total
Net assets - January 1, 2016	$ 92,275	$ 10,000	$ 102,275
Excess of revenues over expenses	67,843	-	67,843
Transfer to internally restricted net assets	(59,000)	59,000	-
Net assets - December 31, 2016	101,118	69,000	170,118
Excess of revenues over expenses	86,051	-	86,051
Transfer to internally restricted net assets	(68,000)	68,000	-
Net assets - December 31, 2017	$ 119,169	$ 137,000	$ 256,169

See accompanying notes to the financial statements

Ve'ahavta
Statement of Cash Flows
Year ended December 31, 2017

	Notes		2017		2016
Operating activities					
Excess of revenue over expenses		$	86,051	$	67,843
Item not affecting cash:					
Amortization			5,242		6,355
			91,293		74,198
Net changes in non-cash working capital	10		(52,624)		83,770
Cash flows provided by operating activities			38,669		157,968
Investing activity					
Purchase of capital assets			(2,029)		-
Cash flows used in investing activity			(2,029)		-
Net change in cash			36,640		157,968
Cash - beginning of year			307,794		149,826
Cash - end of year		$	344,434	$	307,794

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(I)(1) of the Income Tax Act, and is not subject to Federal or Provincial income taxes.

2. Significant accounting policies

The financial statements 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 for 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%

(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 in 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.

Financial assets include cash and accounts receivable (excluding pledges receivable) and financial liabilities 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;
(ii) Occupancy costs are allocated based on the space occupied by each function; and
(iii) Administrative costs are allocated based on the proportionate head count of each function
(iv) Amortization is allocated based on the proportionate head count of each function

3. Accounts receivable

		2017		2016
Grants	$	76,536	$	55,825
Pledges receivable		46,400		11,000
Interest receivable		23,849		13,112
	$	146,785	$	79,937

The interest receivable is accrued interest to date from an endowment fund of $100,000 of which the Organization is not the beneficiary of the principal balance. The interest income earned can be withdrawn at any time for general use purposes. Pledges receivable were recognized as revenue in the same period as the receivable was recognized.

4. Barter trade account

		2017	2016
Barter trade account - beginning of year	$	19,520	(10,602)
Donations received		95,610	104,319
Expenses incurred		(97,037)	(74,197)
Barter trade account - end of year	$	18,093	19,520

5. Capital assets

		Cost		Accumulated amortization		2017		2016
Office equipment and furniture	$	77,178	$	61,528	$	15,650	$	19,563
Computer hardware		5,974		2,606		3,368		2,347
Computer software		13,071		12,324		747		1,068
	$	96,223	$	76,458	$	19,765	$	22,978

6. Deferred contributions

		2017		2016
Deferred contributions - beginning of year	$	186,063	$	100,595
Restricted contributions received during year		947,627		854,024
Amount recognized as revenue during year		(919,890)		(768,556)
Deferred contributions - end of year	$	213,800	$	186,063

7. Bank facility

Ve'ahavta has a $15,500 (2016 - $15,500) demand loan facility with its bank which bears interest at the bank's prime rate plus 2.95% (2016 - 2.95%) per annum. No amounts were utilized as at December 31, 2017 or 2016. 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
2018	74,200	7,747	81,947
2019	74,200	3,863	78,063
2020	74,200	3,492	77,692
2021	18,550	2,037	20,587
	$ 241,150	$ 17,139	$ 258,289

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

9. Allocation of expenses

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

	2017	2016
Salaries and benefits	$ 1,302,139	$ 1,238,211
Other program and general operating	1,039,220	1,121,155
	2,341,359	2,359,366
Expenses allocated to programs	1,560,760	1,384,631
Percentage of expenses allocated to programs	67%	59%

The breakdown of salaries and benefits and general and support expenses for fundraising, communication, and charitable programs and services are as follows:

2017	Fundraising	Communication	Charitable programs and services
Salaries and benefits	$ 244,661	$ 115,775	$ 860,415
General support expenses	17,985	12,688	189,994
	$ 262,646	$ 128,463	$ 1,050,409

2016	Fundraising	Communication	Charitable programs and services
Salaries and benefits	$ 303,352	$ 96,864	$ 658,842
General support expenses	26,499	8,416	156,552
	$ 329,851	$ 105,280	$ 815,394

10. Net changes in non-cash working capital

		2017		2016
Decrease (increase) in accounts and pledges receivable	$	(66,848)	$	15,448
Decrease (increase) in sales taxes recoverable		10,610		(12,385)
Decrease (increase) in prepaid expenses and other assets		(286)		31,552
Decrease in accounts payable and accrued liabilities		(25,264)		(6,191)
Increase (decrease) in barter trade account		1,427		(30,122)
Increase in deferred contributions		27,737		85,468
	$	(52,624)	$	83,770

11. 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 and pledges receivable. Ve'ahavta assesses, on a continuous basis, accounts and pledges receivable on the basis of the amount to be received can be reasonably estimated and ultimate collection is reasonably assured. Accounts and pledges receivable are presented net of an allowance for doubtful accounts of $Nil (2016 - $Nil).

(b) Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or to fund 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.

12. Change in accounting policy

Effective January 1, 2017, the Corporation changed its accounting policy for the allocation of expenses. Under its new policy, all general expenses that are program related are allocated between program and non-program expenses. In previous periods, the Corporation only allocated payroll and occupancy costs between two functions: general administrative expenses and program expenses. This change in accounting policy has been applied retrospectively with restatement of prior period financial statements. As a result, the following adjustments were made to the Corporation's financial statements for the year ended December 31, 2016:

	Note	As previously stated	Effects of restatement	As restated
Charitable programs and services				
Homeless		386,579	67,639	454,218
Ve'ahavta Street Academy		348,230	57,440	405,670
Community engagement		218,181	53,436	271,617
My Toronto	13	6,436	-	6,436
Impact India		68,589	-	68,589
Kenora		61,234	5,747	66,981
Creative writing program		44,449	8,781	53,230
Crisis Response		37,261	-	37,261
Other		20,629	-	20,629
		1,191,588		1,384,631
Fundraising and education	13	249,706	329,851	579,557
General and administration	13	872,021	(628,173)	243,848
Marketing and promotion		46,051	105,279	151,330
		2,359,366		2,359,366

13. Comparative figures

Certain figures in the 2016 financial statements have been reclassified to conform with the basis of presentation used in 2017.