

**THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2026**

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES
Financial Statements
March 31, 2026

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Neighbourhood Group Community Services

Qualified Opinion

We have audited the financial statements of The Neighbourhood Group Community Services, which comprise the statement of financial position as at March 31, 2026, and the statements of operations and changes in fund balance 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 Neighbourhood Group Community Services as at March 31, 2026, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organization.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and 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 the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2026 and 2025, current assets as at March 31, 2026 and 2025, and net assets as at April 1 and March 31 for both the 2026 and 2025 years. Our audit opinion on the financial statements for the year ended March 31, 2025 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 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.

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.

Akler Browning LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
September 15, 2026

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Statement of Financial Position

March 31, 2026

	2026	2025 Note 7
Assets		
Current		
Cash	\$ 4,955,925	\$ 4,037,631
Cash in trust (note 2)	280,650	292,167
Marketable securities (note 3)	3,293,593	3,016,952
Accounts receivable (note 11)	5,313,923	6,742,680
Grants receivable	1,468,778	1,519,998
HST rebate receivable	907,733	439,326
Prepays	436,057	418,708
Total Current	16,656,659	16,467,462
Capital assets (note 4)	2,921,257	2,880,138
Total Assets	\$ 19,577,916	\$ 19,347,600
Liabilities		
Current		
Accounts payable and accrued liabilities (note 11)	\$ 6,139,005	\$ 5,852,711
Due to trustee participants	280,650	292,167
Deferred contributions (note 5)	5,345,872	5,618,214
Total Current	11,765,527	11,763,092
Deferred capital contributions (note 6)	365,861	242,600
Total Liabilities	12,131,388	12,005,692
Fund Balances		
Unrestricted fund (note 7)	7,446,528	7,341,908
Total Liabilities and Fund Balances	\$ 19,577,916	\$ 19,347,600

Approved on behalf of the Board:



September 15, 2026
Date

Director



Director

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Statement of Operations and Changes in Fund Balance

Year ended March 31, 2026

	2026	2025 Note 7
Revenues		
Grants		
Province of Ontario	\$ 25,462,926	\$ 24,817,116
City of Toronto	19,937,753	14,199,196
Government of Canada (note 9)	4,988,092	7,435,594
United Way	1,381,591	1,316,804
Fees		
Home and Community Care Support Services	8,952,761	8,015,498
Fees from users	6,281,487	6,037,068
City of Toronto	2,409,698	2,275,970
Other		
Partner agencies	3,850,868	2,408,818
Trustee funds	2,562,834	2,161,114
Donations and fundraising events (note 11)	1,361,439	3,468,119
Investment	298,081	548,440
Amortization of deferred capital contributions (note 6)	108,628	142,048
Total revenues	77,596,158	72,825,785
Expenditures		
Wages	49,208,044	46,862,954
Benefits (note 13)	9,677,776	10,308,719
Occupancy costs (note 11)	5,898,938	4,799,537
Program expenses	4,740,298	4,478,728
Purchased services (note 8)	3,123,485	3,440,846
Office and general	1,533,883	1,554,190
Food services	1,385,871	1,623,758
Amortization	775,475	839,780
Employer wage subsidy and participant support	595,132	698,899
Travel	350,026	483,638
Promotion and publicity	202,610	342,793
Total expenditures	77,491,538	75,433,842
Excess (deficiency) of revenues over expenditures for the year	104,620	(2,608,057)
Fund balance, beginning of year (note 7)	7,341,908	9,949,965
Fund balance, end of year	\$ 7,446,528	\$ 7,341,908

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Statement of Cash Flows

Year ended March 31, 2026

	2026	2025 Note 7
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures for the year	\$ 104,620	\$ (2,608,057)
Adjustments for non-cash items		
Amortization	775,475	839,780
Amortization of deferred capital contributions	(108,628)	(142,048)
	771,467	(1,910,325)
Net change in non-cash working capital items		
Cash in trust	11,517	58,322
Accounts receivable	1,428,757	(1,213,530)
Grants receivable	51,220	(294,214)
HST rebate receivable	(468,407)	91,987
Prepays	(17,349)	(62,771)
Accounts payable and accrued liabilities	286,293	(2,373,375)
Due to trustee participants	(11,517)	(58,322)
Deferred contributions	(272,342)	(3,179,242)
	1,008,172	(7,031,145)
Cash Provided by (Used in) Operating Activities	1,779,639	(8,941,470)
CASH FLOWS FROM INVESTING ACTIVITIES		
Marketable securities	(276,641)	4,134,257
Purchase of capital assets	(816,596)	(318,408)
Cash (Used in) Provided by Investing Activities	(1,093,237)	3,815,849
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred capital contributions	231,892	93,400
Cash Provided by Financing Activities	231,892	93,400
Net increase (decrease) in cash	918,294	(5,032,221)
Cash, beginning of year	4,037,631	9,069,852
Cash, end of year	\$ 4,955,925	\$ 4,037,631

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2026

NATURE OF OPERATIONS

The mission of the organization is to work with individuals and communities in the City of Toronto to identify, prevent and eliminate social and economic inequality by creating and providing a range of effective and innovative programs. Existing programs aim to assist the most vulnerable members of our community: children, youth, seniors, newcomers to Canada, people who are homeless, people who are unemployed, people living in poverty, and people needing harm reduction supports.

The organization was incorporated as a non-profit corporation without share capital, is a registered charity and as such, is exempt from income taxation under Section 149(1)(f) of the Canadian Income Tax Act.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Capital assets

Capital assets are accounted for at cost and amortized on a straight-line basis over their estimated useful life using the following durations:

Buildings	20 years
Leasehold improvements	5 - 45 years
Computer equipment	3 years
Vehicles	3 years
Equipment	5 years

(b) Impairment of long-lived assets

Capital assets 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 the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(c) Funds held in trust

The organization receives funds which it holds in trust to be disbursed in accordance with the terms of the underlying trust arrangement. In addition, the organization acts as administrator of funds for projects undertaken jointly with other agencies. The unexpended balances of such funds are shown as an asset and liability on the statement of financial position.

THE NEIGHBOURHOOD GROUP COMMUNITY SERVICES

Notes to the Financial Statements

March 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Revenue recognition

The organization uses the deferral method of accounting for its revenue contributions in which restricted contributions related to expenditures of future periods are deferred and recognized as revenue in the period in which the related expenditures are incurred.

Fees, investment income and other revenues are recognized on the accrual basis.

The organization manages and mentors other not-for-profit organizations which includes signing agreements on the behalf of the organizations, receiving and disbursing funds to these organizations. The related revenue and expenditures including the fees earned to provide these services are recognized as revenue and expenditures of the unrestricted fund.

(e) Deferred capital contributions

Deferred contributions related to capital assets represent restricted contributions for the purchase of buildings, leasehold improvements, equipment and vehicles. Deferred capital contributions are recognized as revenue on the same basis as the related capital assets is being amortized.

(f) Government assistance

The organization was entitled to the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy, which are accounted for using the income approach. Under this approach, government subsidies are recognized as revenue in the period in which those expenses are incurred.

(g) 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 the difficulty of compiling these hours, contributed services are not recognized in the financial statements. The fair market value of donated goods is recognized as donation revenue in the year the goods are donated, if the fair market value can be reasonably estimated.

(h) Cloud computing arrangements

The organization applies the simplification approach to account for expenditures in cloud computing arrangements and will be treated as a supply of services. The expenditures in the arrangements are expensed as incurred.

(i) 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 periods covered. The main estimates relate to accrued liabilities, the estimated useful lives of the capital assets and the impairment of financial assets.

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Notes to the Financial Statements

March 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

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, cash in trust, accounts receivable and grants receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to trustee participants.

Financial assets measured at fair value include investments in marketable securities.

Impairment

For financial assets measured at 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 net excess of revenues over expenditures.

(k) Allocated expenses

The organization engages in various programs and services. The costs of each program includes the cost of personnel and other expenditures that are directly related to providing the services. The organization also incurs other expenditures that are common to the management and operations of the organization and each of its programs.

The organization allocates certain of its administration expenditures by identifying the appropriate basis of allocating each component expenditure, and applies the basis consistently each year according to contracts with the Federal, Provincial and Municipal governments.

2. CASH IN TRUST

As of March 31, 2026, the organization held funds in trust in the amount of \$280,650 (2025 - \$292,167) on behalf of its trustee clients.

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Notes to the Financial Statements

March 31, 2026

3. MARKETABLE SECURITIES

	2026	2025 Note 7
Measured at fair value		
Canadian fixed income funds	\$ 1,581,752	\$ 1,460,256
Foreign fixed income funds	527,403	488,338
Canadian equities funds	605,711	529,513
Foreign equities funds	578,727	538,845
	\$ 3,293,593	\$ 3,016,952

4. CAPITAL ASSETS

				2026	2025 Note 7
	Cost	Accumulated amortization		Net	Net
Land	\$ 600,000	\$ -	\$ 600,000	\$ 600,000	
Buildings	2,915,745	2,915,744	1	1	
Leasehold improvements	5,450,168	3,401,391	2,048,777	1,904,422	
Computer equipment	1,683,818	1,496,696	187,122	296,354	
Vehicles	324,085	263,027	61,058	19,656	
Equipment	1,052,672	1,028,373	24,299	59,705	
	\$ 12,026,488	\$ 9,105,231	\$ 2,921,257	\$ 2,880,138	

5. DEFERRED CONTRIBUTIONS

Deferred contributions relate to unspent funding received in the current year or prior periods that is restricted for a specific purpose. The composition of the deferred contribution balance is as follows:

	2026	2025 Note 7
City of Toronto	\$ 3,732,420	\$ 4,472,327
Foundations and other	1,087,912	653,644
Government of Canada	412,020	352,671
Province of Ontario	113,520	139,572
	\$ 5,345,872	\$ 5,618,214

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Notes to the Financial Statements

March 31, 2026

5. DEFERRED CONTRIBUTIONS, continued

	2026	2025
Balance, beginning of year	\$ 5,618,214	\$ 8,797,456
Amounts received in the year	12,301,425	8,727,403
Amounts repaid in the year	-	(1,845,822)
Amounts recognized as revenue in the year	(12,573,767)	(10,060,823)
Balance, end of year	\$ 5,345,872	\$ 5,618,214

6. DEFERRED CAPITAL CONTRIBUTIONS

	2026	2025 Note 7
Balance, beginning of year	\$ 242,600	\$ 291,248
Additions	231,889	93,400
Amortization of deferred capital contributions	(108,628)	(142,048)
Balance, end of year	\$ 365,861	\$ 242,600

7. PRIOR PERIOD ADJUSTMENT

The comparative figures have been retroactively restated to reflect the 2022 and 2023 Canada-Wide Early Learning and Child Care ("CWELCC") assessments received from the City of Toronto.

Deferred contributions and City of Toronto grant revenue were understated in fiscal 2023 and 2024 by a total of \$2,083,656 related to an error in the calculation of the CWELCC entitlement, therefore this adjustment has been reflected retrospectively.

March 31, 2025	Previously reported	Adjustments	Restated
	\$	\$	\$
Statement of Financial Position:			
Deferred contributions	7,701,870	(2,083,656)	5,618,214
Unrestricted fund	5,258,252	2,083,656	7,341,908
Statement of Operations and Changes in Fund Balances:			
Fund balance, beginning of year	7,866,309	2,083,656	9,949,965
Deficiency of revenues over expenditures for the year	(2,608,057)	-	(2,608,057)
Fund balance, end of year	5,258,252	2,083,656	7,341,908

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Notes to the Financial Statements

March 31, 2026

8. CLOUD COMPUTING ARRANGEMENTS

During the year, the organization expensed \$566,285 (2025 - \$545,792) with respect to cloud computing arrangements which is included in purchased services.

9. GOVERNMENT ASSISTANCE

Included in Government of Canada revenue, is \$Nil (2025 - \$2,982,189) of government assistance related to subsidies received in prior years under the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy programs.

10. CONTRACTUAL OBLIGATIONS

The organization's total obligations, under property lease agreements for its existing premises and for software under an operating lease are summarized as follows:

Leased Premises

The organization is obligated under various property lease agreements, exclusive of occupancy costs as follows:

2027	\$	1,415,645
2028		982,529
2029		563,996
2030		469,677
2031		225,136
Subsequent years		3,016,773
		\$ 6,673,756

Software

The organization is obligated to minimum subscription fees under a payroll software agreement as follows:

2027	\$	405,223
2028		123,409
		\$ 528,632

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Notes to the Financial Statements

March 31, 2026

11. ORGANIZATIONS UNDER SIGNIFICANT INFLUENCE

The organization exercises significant influence over The Neighbourhood Group Foundation and Neighbourhood Link Homes by sharing management and administrative resources. Transactions with The Neighbourhood Group Foundation and Neighbourhood Link Homes are 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 parties.

The Neighbourhood Group Foundation was incorporated with a general object to undertake charitable work within Canada, and is a registered charity under the Income Tax Act. Included in donations and fundraising events is \$Nil (2025 - \$2,230,478) received from The Neighbourhood Group Foundation. Included in accounts receivable is \$3,809 (2025 - \$Nil) owing from The Neighbourhood Group Foundation. Included in accounts payable is \$Nil (2025 - \$5,796) owing to The Neighbourhood Group Foundation.

Neighbourhood Link Homes, was incorporated with the object to deal in residential property to provide adequate living accommodation for elderly persons, to provide social and recreational facilities for elderly persons and to promote understanding and undertake problems of the elderly, and is a registered charity under the Income Tax Act. Included in occupancy costs are amounts paid to Neighbourhood Link Homes of \$264,678 (2025 - \$263,333). Included in accounts receivable is \$2,138,117 (2025 - \$3,522,647) owing from Neighbourhood Link Homes.

12. CREDIT FACILITIES

During the year, a revolving line of credit to a maximum of \$650,000 was available to the organization. The line of credit bore interest at the bank's prime lending rate plus 0.5%, and was due on demand and secured by a general security agreement covering all assets of the organization and a collateral mortgage on the property located at 260 Augusta Avenue. As at March 31, 2026, the credit balance amounted to \$Nil (2025 - \$Nil).

Subsequent to year end, the organization entered into a demand operating facility agreement with a new lender. The agreement will provide the organization with access to a revolving demand facility to a maximum of \$2,500,000. The new credit facility will bear interest at a rate of prime plus 1.11%. Borrowings under this facility are expected to revolve with operating requirements and expected to revolve to zero at least one business day in each calendar year.

The following security has been provided in connection with the new credit facility:

- (a) General security agreement constituting a first ranking security interest in all personal property of the organization;
 - (b) Collateral mortgage in the amount of \$2,750,000 constituting a first fixed charge on the lands and improvements located at 260 Augusta Avenue;
 - (c) Cash collateral agreement assigning term deposits and/or guaranteed investment certificates in the amount of \$200,000;
 - (d) Certificate of insurance evidencing fire and other perils coverage on the property located at 260 Augusta Avenue, showing the bank as first mortgage;
-

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Notes to the Financial Statements

March 31, 2026

13. PENSION PLAN

The organization participates in a multi-employer defined contribution pension plan, which includes certain full time and part time employees. The organization also contributes to a defined contribution plan which was established for its remaining full time and part time employees. Participation in these plans is mandatory. Contributions made by the organization are recognized as benefits expense in the Statement of Operations.

14. 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 accounts and grants receivable. There has been no change to the risk exposure from the prior year.

(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 to its trade accounts payable and accrued liabilities. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations combined with the receipt of fees and grants from its funders. There has been no change to the risk exposure from the prior year.

(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 has exposure to interest rate and other price 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 variable rate credit facility and investments in fixed income funds and guarantee investment certificates. The exposure to these risks also fluctuates as the debts and investments change from year to year.

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Notes to the Financial Statements

March 31, 2026

14. FINANCIAL INSTRUMENTS, continued

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments in marketable securities for which the value fluctuates with the quoted market price.

15. SUBSEQUENT EVENT

The organization is negotiating an asset transfer agreement with Neighbourhood Link Homes (Note 11) to acquire all of its real property and all the assets and liabilities used in connection with the real property. This transfer has been approved in principle by the Board of Directors and the City of Toronto and is expected to occur during the fiscal year ended March 31, 2027, subject to final approvals.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the presentation adopted in the current year.
