

The Mississauga Food Bank
Financial Statements
For the year ended May 31, 2019

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Independent Auditor's Report

To the Members of The Mississauga Food Bank

Qualified Opinion

We have audited the financial statements of The Mississauga Food Bank (the "Organization"), which comprise the statement of financial position as at May 31, 2019, 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, 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 May 31, 2019, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and events, 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 revenue from donations and events, excess of revenue over expenditures and cash flows from operations for the years ended May 31, 2019 and 2018, current assets as at May 31, 2019 and 2018, and net assets as at June 1 and May 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended May 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

In addition, the Organization derives revenue and expenditures from distributed food, the existence and completeness of which was not susceptible to satisfactory audit verification. Accordingly, verification of revenue and expenditures from distributed food 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 revenue and expenditures from distributed food for the year ended May 31, 2019. Our audit opinion on the financial statements for the year ended May 31, 2018 was modified for completeness of distributed food 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 audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
October 15, 2019

**The Mississauga Food Bank
Statement of Financial Position**

May 31 **2019** **2018**

Assets

Current

Cash (Note 2)	\$	276,136	\$	419,713
Short-term investments (Note 3)		646,915		440,000
Receivables		44,070		44,624
Prepaid expenses		48,410		42,426

1,015,531 946,763

Capital assets (Note 4)

244,497 202,999

\$ 1,260,028 \$ 1,149,762

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$	100,058	\$	116,055
Deferred grant revenue (Note 5)		67,731		55,856
Deferred sponsorship revenue		94,969		72,083
Current portion of obligation under capital lease (Note 6)		28,440		28,440

291,198 272,434

Obligation under capital lease (Note 6)

40,541 63,265

Deferred capital contributions (Note 7)

88,562 76,214

Deferred leasehold inducement

927 6,488

421,228 418,401

Net assets

Funds invested in capital assets (Note 8)	86,954	35,080
Contingency fund	446,915	440,000
Unrestricted funds	304,931	256,281

838,800 731,361

\$ 1,260,028 \$ 1,149,762

On behalf of the Board:

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements.

**The Mississauga Food Bank
Statement of Changes in Net Assets**

For the year ended May 31

2019

2018

	Funds Invested in Capital Assets	Contingency Fund	Unrestricted Funds	Total	Total
Balance, beginning of year	\$ 35,080	\$ 440,000	\$ 256,281	\$ 731,361	\$ 664,905
Excess of revenue over expenditures for the year	-	-	107,439	107,439	66,456
Transfer to funds invested in capital assets (Note 10)	51,874	-	(51,874)	-	-
Transfer to contingency fund	-	6,915	(6,915)	-	-
Balance, end of year	\$ 86,954	\$ 446,915	\$ 304,931	\$ 838,800	\$ 731,361

The accompanying notes are an integral part of these financial statements.

The Mississauga Food Bank Statement of Operations

For the year ended May 31	2019	2018
Revenue		
Donations (Note 1)	\$ 1,393,535	\$ 1,211,531
Distributed food (Note 1)	5,763,547	4,387,305
Deferred capital contributions (Note 7)	23,947	33,414
Sponsorships	201,250	133,044
Government grants	137,807	133,236
Events	577,423	543,353
Other	30,732	17,387
	8,128,241	6,459,270
Expenditures		
Administration and finance	190,592	186,830
Advertising and promotion	8,356	28,231
Amortization	70,931	74,410
Client services, The Mississauga Food Bank Network	19,503	5,981
Distributed food (Note 1)	5,763,547	4,387,305
Donated items (Note 1)	4,268	6,620
Food logistics	63,079	56,439
Food procurement and purchases	253,115	247,043
Fundraising	249,790	250,565
Staffing	1,156,341	923,381
Volunteers	9,844	3,247
Warehouse operations	231,436	222,762
	8,020,802	6,392,814
Excess of revenue over expenditures	\$ 107,439	\$ 66,456

The accompanying notes are an integral part of these financial statements.

The Mississauga Food Bank Statement of Cash Flows

For the year ended May 31	2019	2018
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 107,439	\$ 66,456
Adjustments required to reconcile excess of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	70,931	74,410
Amortization of deferred capital contributions	(23,947)	(33,414)
Capital contributions related to sale of capital asset	(3,705)	-
Deferred leasehold inducement	(5,561)	(5,560)
Loss on sale of capital asset	101	-
Changes in non-cash working capital balances		
Receivables	554	4,266
Prepaid expenses	(5,984)	(2,722)
Accounts payable and accrued liabilities	(15,997)	48,478
Deferred grant revenue	11,875	6,046
Deferred sponsorship revenue	22,886	30,706
	158,592	188,666
Investing activities		
Purchase of capital assets	(116,130)	(30,311)
Proceeds on sale of capital asset	3,600	-
Net purchase of short-term investments	(206,915)	-
	(319,445)	(30,311)
Financing activities		
Capital contributions received	40,000	-
Payments of obligation under capital lease	(22,724)	(21,188)
	17,276	(21,188)
Increase (decrease) in cash during the year	(143,577)	137,167
Cash, beginning of year	419,713	282,546
Cash, end of year	\$ 276,136	\$ 419,713

The accompanying notes are an integral part of these financial statements.

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2019

1. Significant Accounting Policies

Nature of Organization

The Mississauga Food Bank's (the 'Organization') mission is relieving hunger in Mississauga by providing and promoting access to healthy food for people in need. The Organization is registered as a charity without share capital under the Ontario Corporations Act. As such, the Organization is able to issue donation receipts and is not liable for any federal or provincial income taxes under the provisions of the Income Tax Act.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided at the following rates:

Warehouse equipment	- 20 % diminishing balance basis
Refrigerated trucks	- 30 % diminishing balance basis
Refrigerated truck under capital lease	- 30 % diminishing balance basis
Freezer/cooler unit	- 5 years straight-line basis
Leasehold improvements	- straight-line over term of lease
Office equipment	- 20 % diminishing balance basis
Computer hardware and software	- 30 % diminishing balance basis
Signage	- 10 years straight-line basis
Inventory management system	- 5 years straight-line basis
Aquaponics equipment	- 5 years straight-line basis

Revenue Recognition

The Organization follows the deferral method of accounting for revenue. Restricted donations are recognized as revenue in the year in which the related expenditures are incurred and unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase of capital assets are recorded as revenue over the same period as the related amortization of the purchased assets.

Distributed food has been valued based on national standards recommended by Food Banks Canada at \$2.60 (2018 - \$2.50) per pound, which management believes to be a reasonable reflection of fair value. This dollar value of food has been reflected as both a revenue and an expense as Distributed food on the Statement of Operations. During the year, the Organization distributed 2,216,749 pounds of food to the community (2018 - 1,754,922 pounds). The value of the food has been estimated at \$5,763,547 (2018 - \$4,387,305).

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2019

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Donations in kind (non-cash donations) are recorded as contributions at their estimated fair market value at the date of the donation. During the year, the Organization received \$4,268 (2018 - \$6,620) of donations in kind.

Sponsorship revenue that relates to a future period is deferred and recognized over the term of the sponsorship agreement.

Food Inventory

As food is distributed at no charge, no inventory value has been recorded on the Statement of Financial Position for food on-hand at year end.

Obligation under Capital Lease

Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is amortized on a straight line basis over its estimated useful life. Obligations under capital leases are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases with rental payments being expensed as incurred.

Deferred Leasehold Inducement

Deferred leasehold inducement represents free rent received from the landlord. The leasehold inducement is recorded as a deferred credit and is amortized on a straight-line basis over the term of the lease as a reduction of warehouse operations.

Contingency Fund

The Contingency fund is an internally restricted fund that reflects amounts that are designated by the Board of Directors for special purposes or unforeseen circumstances, and are transferred to unrestricted funds as necessary. During the year, the Board of Directors approved a transfer of \$6,915 (2018 - \$Nil) from Unrestricted funds to the Contingency fund.

Donated Services

The operation of the Organization is dependent on services provided by volunteers. Since these services are not purchased by the Organization and due to the difficulty of determining their market value, donated services are not recorded in the accounts.

Remuneration of the Board of Directors

Members of the Board of Directors are volunteers who serve without remuneration.

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2019

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash

Included in cash are amounts restricted for deferred grant revenue and deferred sponsorship revenue aggregating \$162,700 (2018 - \$127,939).

3. Short-term Investments

Short-term investments consist of cashable Guaranteed Investment Certificates that earn interest between 2.00% and 2.17% (2018 - 1.34%) and have maturity dates between September 2019 and January 2020 (2018 - October 2018).

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2019

4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Warehouse equipment	\$ 170,123	\$ 105,904	\$ 134,009	\$ 94,364
Refrigerated trucks	-	-	75,601	71,898
Refrigerated truck under capital lease	138,932	98,426	138,932	81,067
Freezer/cooler unit	89,893	89,893	89,893	89,893
Leasehold improvements	69,375	22,549	14,981	10,487
Office equipment	56,455	36,720	50,280	32,558
Computer hardware and software	83,214	58,163	71,723	49,889
Signage	4,827	3,138	4,827	2,655
Inventory management system	105,600	105,600	105,600	104,464
Aquaponics equipment	83,552	37,081	75,595	21,167
Totals	\$ 801,971	\$ 557,474	\$ 761,441	\$ 558,442
Cost, net of accumulated amortization		\$ 244,497		\$ 202,999

5. Deferred Grant Revenue

	2019	2018
Balance, beginning of year	\$ 55,856	\$ 49,810
Funding received during the year	154,682	92,182
Amounts recognized in revenue	(142,807)	(86,136)
Balance, end of year	\$ 67,731	\$ 55,856

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2019

6. Obligation under Capital Lease

In fiscal 2016, the Organization entered into a capital lease agreement for a refrigerated truck. The monthly payments are \$2,370 per month, with an imputed interest rate of 7%, and the capital lease matures in February 2022. This obligation is secured by the related asset. The interest expense for the year was \$5,716 (2018 - \$7,252). Future minimum lease payments consist of the following:

2020	\$ 28,440
2021	28,440
2022	<u>18,960</u>
Net minimum lease payments	75,840
Less: imputed interest	<u>6,859</u>
Balance of obligation	68,981
Less: current portion	<u>28,440</u>
Long term portion	<u>\$ 40,541</u>

7. Deferred Capital Contributions

	<u>2019</u>	2018
Balance, beginning of year	\$ 76,214	\$ 109,628
Contributions received	40,000	-
Capital contributions related to sale of capital asset	(3,705)	-
Amounts amortized to revenue	<u>(23,947)</u>	<u>(33,414)</u>
Balance, end of year	<u>\$ 88,562</u>	<u>\$ 76,214</u>

8. Funds Invested in Capital Assets

	<u>2019</u>	2018
Capital assets (Note 4)	\$ 244,497	\$ 202,999
Deferred capital contributions related to capital assets (Note 7)	(88,562)	(76,214)
Capital lease obligation (Note 6)	<u>(68,981)</u>	<u>(91,705)</u>
Balance, end of year	<u>\$ 86,954</u>	<u>\$ 35,080</u>

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2019

9. Commitments

The Organization leases a premise under an operating lease arrangement and has an agreement for internet services. The minimum payments under the agreements for the next four years are as follows:

2020	\$	151,910
2021		175,654
2022		187,848
2023		31,468
		<u>546,880</u>
	\$	<u>546,880</u>

10. Transfer of Funds

Transfer of funds to (from) the unrestricted funds to funds invested in capital assets is as follows:

	<u>2019</u>	<u>2018</u>
Amortization of capital assets	\$ 70,931	\$ 74,410
Capital funding received	40,000	-
Amortization of deferred capital contributions	(23,947)	(33,414)
Purchase of capital assets	(116,130)	(30,311)
Proceeds on sale of capital assets	3,600	-
Loss on sale of capital assets	101	-
Payments made for obligation under capital lease	(22,724)	(21,188)
Capital contributions related to sale of capital asset	(3,705)	-
	<u>\$ (51,874)</u>	<u>\$ (10,503)</u>

The Mississauga Food Bank Notes to Financial Statements

May 31, 2019

11. Financial Instrument Risks

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. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated short-term investments. This risk is mitigated as the short-term investments consist only of cashable Guaranteed Investment Certificates which can be cashed without penalty and reinvested should interest rates increase.

12. Contingent Liability

In the prior fiscal year, the Organization entered into a promissory note with one of its funders for \$174,364 as security against a grant received. The promissory note is due on demand and shall bear interest at a rate of 8% per annum from the date of demand by the funder. This is effective for the period January 1, 2018 to December 31, 2019. The note including interest, will not require payment unless the funds received from the grant are not spent on eligible costs as agreed between The Regional Municipality of Peel and the Organization.

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current year.