

The Mississauga Food Bank
Financial Statements
For the year ended May 31, 2020

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Independent Auditor's Report

To the Board of Directors 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, 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, 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, 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 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, 2020 and 2019, current assets as at May 31, 2020 and 2019, and net assets as at June 1 and May 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended May 31, 2019 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 completeness of which was not susceptible to satisfactory audit verification for the year ended May 31, 2019. As a result, the verification of revenue and expenditures from distributed food was limited for the year ended May 31, 2019 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, 2019 was modified for existence and completeness of distributed food because of the possible effects of this limitation in scope. As a result, our opinion on the current year's results of operations and cash flows is modified because of the possible effects of this matter on the comparability of the current period's figures and the comparative information.

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
August 18, 2020

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

May 31	2020	2019
Assets		
Current		
Cash (Note 2)	\$ 3,122,177	\$ 276,136
Short-term investments (Note 3)	659,581	646,915
Receivables	69,060	44,070
Prepaid expenses	47,321	48,410
	3,898,139	1,015,531
Capital assets (Note 4)	280,114	244,497
	\$ 4,178,253	\$ 1,260,028

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 182,590	\$ 100,058
Deferred grant revenue (Note 5)	405,351	67,731
Deferred sponsorship revenue	169,167	94,969
Current portion of obligations under capital lease (Note 6)	52,560	28,440
	809,668	291,198
Obligations under capital lease (Note 6)	98,388	40,541
Deferred capital contributions (Note 7)	67,805	88,562
Deferred leasehold inducement	33,773	927
	1,009,634	421,228
Net assets		
Funds invested in capital assets (Note 8)	61,361	86,954
Contingency fund	2,682,734	446,915
Unrestricted funds	424,524	304,931
	3,168,619	838,800
	\$ 4,178,253	\$ 1,260,028

On behalf of the Board:



Director



Director

9/16/2020

9/16/2020

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

2020

2019

	Funds Invested in Capital Assets	Contingency Fund	Unrestricted Funds	Total	Total
Balance, beginning of year	\$ 86,954	\$ 446,915	\$ 304,931	\$ 838,800	\$ 731,361
Excess of revenue over expenditures for the year	-	-	2,329,819	2,329,819	107,439
Transfer from funds invested in capital assets (Note 11)	(25,593)	-	25,593	-	-
Transfer to contingency fund	-	2,235,819	(2,235,819)	-	-
Balance, end of year	\$ 61,361	\$ 2,682,734	\$ 424,524	\$ 3,168,619	\$ 838,800

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

The Mississauga Food Bank Statement of Operations

For the year ended May 31	2020	2019
Revenue		
Donations	\$ 4,086,063	\$ 1,389,268
Donated food and donations in kind (Note 1)	5,347,197	5,767,815
Events	725,713	577,423
Government grants	269,816	103,290
Sponsorships	170,833	201,250
Deferred capital contributions (Note 7)	25,774	23,947
Trillium Foundation grant	24,375	50,625
Other	24,202	30,732
Total revenue	10,673,973	8,144,350
Expenditures		
Administration		
Board of Directors expenses	3,791	4,284
General office	167,896	106,846
Professional fees	39,047	32,602
Staffing (Note 9)	218,510	197,267
Total administration expenditures	429,244	340,999
Fundraising		
External fundraising expenses	362,538	296,651
Staffing (Note 9)	302,790	277,612
Total fundraising expenditures	665,328	574,263
Programs		
Client services, The Mississauga Food Bank network	27,027	27,859
COVID-19 expenses	287,154	-
Donated food and donations in kind	5,347,197	5,767,815
Facility	256,256	199,242
Food pickup and delivery	127,359	83,951
Sourcing, managing, procuring food	377,030	335,368
Staffing (Note 9)	821,511	697,570
Volunteers	6,048	9,844
Total programs expenditures	7,249,582	7,121,649
Total expenditures	8,344,154	8,036,911
Excess of revenue over expenditures	\$ 2,329,819	\$ 107,439

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	2020	2019
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 2,329,819	\$ 107,439
Adjustments required to reconcile excess of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	93,967	70,931
Amortization of deferred capital contributions	(25,774)	(23,947)
Capital contributions related to sale of capital asset	-	(3,705)
Deferred leasehold inducement	32,846	(5,561)
Loss on sale of capital asset	-	101
Changes in non-cash working capital balances		
Receivables	(24,990)	554
Prepaid expenses	1,089	(5,984)
Accounts payable and accrued liabilities	82,532	(15,997)
Deferred grant revenue	337,620	11,875
Deferred sponsorship revenue	74,198	22,886
	2,901,307	158,592
Investing activities		
Purchase of capital assets	(5,017)	(116,130)
Proceeds on sale of capital asset	-	3,600
Purchase of short-term investments	(12,666)	(206,915)
	(17,683)	(319,445)
Financing activities		
Capital contributions received	5,017	40,000
Payments of obligations under capital lease	(42,600)	(22,724)
	(37,583)	17,276
Increase (decrease) in cash during the year	2,846,041	(143,577)
Cash, beginning of year	276,136	419,713
Cash, end of year	\$ 3,122,177	\$ 276,136
Non-cash transactions:		
Purchase of capital asset by capital lease	\$ 124,567	\$ -

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

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2020

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 was registered as a charity without share capital under the Ontario Corporations Act. During the year, the Organization continued as a charity under the provisions of the Canada Not-for-profit Corporations Act effective January 30, 2020. 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 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.

Donated food that has been distributed has been valued based on national standards recommended by Food Banks Canada at \$2.62 (2019 - \$2.60) 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 expenditure as Donated food and donations in kind on the Statement of Operations. During the year, the Organization distributed 2,037,678 pounds of donated food to the community (2019 - 2,216,749 pounds). The value of the food has been estimated at \$5,338,716 (2019 - \$5,763,547).

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2020

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 \$8,481 (2019 - \$4,268) of donations in kind.

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.

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

Events revenue is recognized as revenue when the event takes place, the amount can be reasonably estimated and collection is reasonably assured.

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.

Obligations 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 facility expenditures.

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 including emergency response, and are transferred to unrestricted funds as necessary. During the year, the Board of Directors approved a transfer of \$2,235,819 (2019 - \$6,915) 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, 2020

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 \$574,518 (2019 - \$162,700).

3. Short-term Investments

Short-term investments consist of cashable and non-redeemable Guaranteed Investment Certificates that earn interest between 1.60% and 1.99% (2019 - 2.00% and 2.17%) and have maturity dates between July 2020 to January 2021 (2019 - September 2019 and January 2020).

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2020

4. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Warehouse equipment	\$ 170,123	\$ 118,747	\$ 170,123	\$ 105,904
Refrigerated trucks under capital lease	263,500	129,264	138,932	98,426
Freezer/cooler unit	89,893	89,893	89,893	89,893
Leasehold improvements	69,375	43,678	69,375	22,549
Office equipment	61,471	41,169	56,455	36,720
Computer hardware and software	83,214	65,678	83,214	58,163
Signage	4,827	3,620	4,827	3,138
Inventory management system	105,600	105,600	105,600	105,600
Aquaponics equipment	83,552	53,792	83,552	37,081
Totals	\$ 931,555	\$ 651,441	\$ 801,971	\$ 557,474
Cost, net of accumulated amortization		\$ 280,114		\$ 244,497

5. Deferred Grant Revenue

	2020	2019
Balance, beginning of year	\$ 67,731	\$ 55,856
Funding received during the year	951,881	154,682
Amounts recognized in revenue	(614,261)	(142,807)
Balance, end of year	\$ 405,351	\$ 67,731

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2020

6. Obligations under Capital Lease

	2020	2019
Obligation under capital lease for a refrigerated truck, monthly payments of \$2,370 with an imputed interest rate of 7%, maturing February 2022, secured by the related asset.	\$ 44,609	\$ 68,981
Obligation under capital lease for a refrigerated truck monthly payments of \$2,010 with an imputed interest rate of 5%, maturing May 2025, secured by the related asset.	106,339	-
Balance of obligation	150,948	68,981
Less: current portion	52,560	28,440
	\$ 98,388	\$ 40,541

The interest expense for the year was \$9,959 (2019 - \$5,716).

Future minimum lease payments consist of the following:

2021	\$	52,560
2022		43,080
2023		24,120
2024		24,120
2025		24,120
Net minimum lease payments		168,000
Less: imputed interest		17,052
Balance of obligation	\$	150,948

7. Deferred Capital Contributions

	2020	2019
Balance, beginning of year	\$ 88,562	\$ 76,214
Contributions received	5,017	40,000
Capital contributions related to sale of capital asset	-	(3,705)
Amounts amortized to revenue	(25,774)	(23,947)
Balance, end of year	\$ 67,805	\$ 88,562

The Mississauga Food Bank Notes to Financial Statements

May 31, 2020

8. Funds Invested in Capital Assets

	2020	2019
Capital assets (Note 4)	\$ 280,114	\$ 244,497
Deferred capital contributions related to capital assets (Note 7)	(67,805)	(88,562)
Capital lease obligations (Note 6)	(150,948)	(68,981)
Balance, end of year	\$ 61,361	\$ 86,954

9. Allocation of Expenses

The Organization engages in food distribution and community programs. The costs of each program include personnel that are directly related to providing the programs. For employees who perform a combination of program, fundraising and administrative activities, their salaries, benefits and all other payroll costs are attributed based on the percentage of time dedicated to each activity. Such allocations are reviewed and updated annually.

Certain salaries and benefits for employees whose job function is across different programs have been allocated as follows:

	2020	2019
Administration	\$ 53,876	\$ 49,811
Fundraising	124,545	110,492
Programs	129,236	110,492
	\$ 307,657	\$ 270,795

10. 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 three years are as follows:

2021		\$ 174,913
2022		187,107
2023		31,406
		\$ 393,426

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2020

11. Transfer of Funds

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

	<u>2020</u>	<u>2019</u>
Amortization of capital assets	\$ 93,967	\$ 70,931
Capital funding received	5,017	40,000
Amortization of deferred capital contributions	(25,774)	(23,947)
Purchase of capital assets	(5,017)	(116,130)
Proceeds on sale of capital assets	-	3,600
Loss on sale of capital assets	-	101
Payments made for obligations under capital lease	(42,600)	(22,724)
Asset acquired under capital lease	124,567	-
Capital lease obligation	(124,567)	-
Capital contributions related to sale of capital asset	-	(3,705)
	<u>\$ 25,593</u>	<u>\$ (51,874)</u>

12. 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 of cashable Guaranteed Investment Certificates and short term non-redeemable Guaranteed Investment Certificates.

The Mississauga Food Bank Notes to Financial Statements

May 31, 2020

13. Comparative Figures

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

14. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus, the “COVID-19” outbreak. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

On March 23, 2020, the government of Ontario ordered the closure of all non-essential businesses effective March 24, 2020. The Organization was deemed an essential service and has continued to operate. Due to the pandemic, there has been an increase in need for the services provided by the Organization. As the impacts of COVID-19 continue, there could be further impacts on the Organization. Management is actively monitoring the affects on its financial condition, liquidity, operations, suppliers, sector and workforce.

The Organization relies on revenue from donations, events and grants. During the year and subsequent to the year-end, the Organization received significant funds from multiple sources as a result of the global pandemic. These funds received have been provided to help the Organization meet the increased demand for the service they provide due to the impact of the pandemic. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations at this time.