

The Mississauga Food Bank
Financial Statements
For the year ended May 31, 2021

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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, 2021, 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, 2021, 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, 2021 and 2020, current assets as at May 31, 2021 and 2020, and net assets as at June 1 and May 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended May 31, 2020 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 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.



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
Oakville, Ontario
August 17, 2021

The Mississauga Food Bank Statement of Financial Position

May 31 **2021** **2020**

Assets

Current

Cash (Note 2)	\$ 3,188,149	\$ 3,122,177
Short-term investments (Note 3)	3,225,748	659,581
Receivables	77,670	69,060
Prepaid expenses	66,587	47,321

6,558,154 **3,898,139**

Capital assets (Note 4)

172,364 **280,114**

\$ 6,730,518 **\$ 4,178,253**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 324,511	\$ 182,590
Deferred grant revenue (Note 5)	116,291	405,351
Deferred sponsorship revenue	46,667	169,167
Current portion of obligations under capital lease (Note 6)	43,080	52,560

530,549 **809,668**

Obligations under capital lease (Note 6)

62,555 **98,388**

Deferred capital contributions (Note 7)

43,660 **67,805**

Deferred leasehold inducement

25,228 **33,773**

661,992 **1,009,634**

Net assets

Funds invested in capital assets (Note 8)	23,069	61,361
Contingency fund	842,734	2,682,734
Strategic investment fund	4,530,000	-
Unrestricted funds	672,723	424,524

6,068,526 **3,168,619**

\$ 6,730,518 **\$ 4,178,253**

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

2021

2020

	Funds Invested in Capital Assets	Contingency Fund	Strategic Investment Fund	Unrestricted Funds	Total	Total
Balance, beginning of year	\$ 61,361	\$2,682,734	\$ -	\$ 424,524	\$3,168,619	\$ 838,800
Excess of revenue over expenditures for the year	-	-	-	2,899,907	2,899,907	2,329,819
Transfer from funds invested in capital assets (Note 11)	(38,292)	-	-	38,292	-	-
Transfer to strategic investment fund	-	(1,840,000)	4,530,000	(2,690,000)	-	-
Balance, end of year	\$ 23,069	\$ 842,734	\$ 4,530,000	\$ 672,723	\$ 6,068,526	\$3,168,619

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

The Mississauga Food Bank Statement of Operations

For the year ended May 31	2021	2020
Revenue		
Donations	\$ 6,096,622	\$ 4,086,063
Donated food and donations in kind (Note 1)	9,435,637	5,347,197
Events	557,438	725,713
Government grants	450,186	269,816
Sponsorships	135,000	170,833
Other	65,728	24,202
Deferred capital contributions (Note 7)	24,145	25,774
Trillium Foundation grant	10,736	24,375
	16,775,492	10,673,973
Expenditures		
Administration		
Board of Directors expenses	23,157	3,791
General office	187,239	167,896
Professional fees	17,495	39,047
Staffing (Note 9)	305,269	218,510
	533,160	429,244
Fundraising		
External fundraising expenses	455,487	362,538
Staffing (Note 9)	390,563	302,790
	846,050	665,328
Programs		
Client services, The Mississauga Food Bank network	195,965	163,661
Donated food and donations in kind	9,435,637	5,347,197
Facility	298,677	256,256
Food pickup and delivery	182,204	127,359
Sourcing, managing, procuring food	1,167,476	504,209
Staffing (Note 9)	1,203,170	844,852
Volunteers	13,246	6,048
	12,496,375	7,249,582
Total expenditures	13,875,585	8,344,154
Excess of revenue over expenditures	\$ 2,899,907	\$ 2,329,819

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	2021	2020
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 2,899,907	\$ 2,329,819
Adjustments required to reconcile excess of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	124,733	93,967
Amortization of deferred capital contributions	(24,145)	(25,774)
Deferred leasehold inducement	(8,545)	32,846
Changes in non-cash working capital balances		
Receivables	(8,610)	(24,990)
Prepaid expenses	(19,266)	1,089
Accounts payable and accrued liabilities	141,921	82,532
Deferred grant revenue	(289,060)	337,620
Deferred sponsorship revenue	(122,500)	74,198
	2,694,435	2,901,307
Investing activities		
Purchase of capital assets	(16,983)	(5,017)
Purchase of short-term investments	(2,566,167)	(12,666)
	(2,583,150)	(17,683)
Financing activities		
Capital contributions received	-	5,017
Payments of obligations under capital lease	(45,313)	(42,600)
	(45,313)	(37,583)
Increase in cash during the year	65,972	2,846,041
Cash, beginning of year	3,122,177	276,136
Cash, end of year	\$ 3,188,149	\$ 3,122,177
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, 2021

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 and appropriate food. The Organization was registered as a charity without share capital under the Ontario Corporations Act. 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	- 5 years straight-line basis
Refrigerated trucks under capital lease	- straight-line over term of lease
Freezer/cooler unit	- 5 years straight-line basis
Leasehold improvements	- straight-line over term of lease
Office equipment	- 5 years straight-line basis
Computer hardware and software	- 3 years straight-line basis
Signage	- 10 years straight-line basis
Inventory management system	- 5 years straight-line basis
Aquaponics equipment	- 5 years straight-line basis

The Organization reviewed the estimated useful life of warehouse equipment, refrigerated trucks under capital lease, office equipment, and computer hardware and software during the year, which resulted in a change in the amortization rate to straight-line basis over the periods noted above. The change in estimate resulted in additional amortization of \$28,771 being recognized in the current year.

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2021

1. Significant Accounting Policies (continued)

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 (2020 - \$2.62) 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 3,286,847 pounds of donated food to the community (2020 - 2,037,678 pounds). The value of the food has been estimated at \$8,611,539 (2020 - \$5,338,716).

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 \$824,098 (2020 - \$8,481) 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.

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2021

1. Significant Accounting Policies (continued)

Contingency Fund

The Contingency fund is an internally restricted fund that reflects amounts that are designated by the Board of Directors to support core operations for a set period of time in the event of short falls in donations and/or increase in demand for food, such as an emergency response. During the year, the Board of Directors approved a transfer of \$Nil (2020 - \$2,235,819) from Unrestricted funds to the Contingency Fund, and \$1,840,000 (2020 - \$Nil) from the Contingency Fund to the Strategic Investment Fund.

Strategic Investment Fund

The Strategic Investment Fund is internally restricted by the Board of Directors. This fund was established to build new or enhance organizational capacity through infrastructure. The objective is to improve the quality of food and enhance services to clients through improving dignity and reducing barriers. During the year, the Board of Directors approved a transfer of \$2,690,000 (2020 - \$Nil) from Unrestricted funds to the Strategic Investment 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.

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.

The Mississauga Food Bank Notes to Financial Statements

May 31, 2021

2. Cash

Included in cash are amounts restricted for deferred grant revenue and deferred sponsorship revenue aggregating \$162,958 (2020 - \$574,518).

3. Short-term Investments

Short-term investments consist of the following:

	2021	2020
Cash	\$ 948	\$ -
Fixed income	3,015,185	659,581
High interest savings account	209,615	-
	\$ 3,225,748	\$ 659,581

Fixed income consists of redeemable Guaranteed Investment Certificates that earn interest between 0.810% and 3.56% (2020 - 1.60% and 1.99%) and have maturity dates between June 2021 to October 2025 (2020 - July 2020 and January 2021).

4. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Warehouse equipment	\$ 175,699	\$ 149,739	\$ 170,123	\$ 118,747
Refrigerated trucks under capital lease	263,500	158,755	263,500	129,264
Freezer/cooler unit	89,893	89,893	89,893	89,893
Leasehold improvements	69,375	60,311	69,375	43,678
Office equipment	61,471	52,156	61,471	41,169
Computer hardware and software	94,621	85,115	83,214	65,678
Signage	4,827	4,103	4,827	3,620
Inventory management system	105,600	105,600	105,600	105,600
Aquaponics equipment	83,552	70,502	83,552	53,792
Totals	\$ 948,538	\$ 776,174	\$ 931,555	\$ 651,441
Cost, net of accumulated amortization		\$ 172,364		\$ 280,114

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2021

5. Deferred Grant Revenue

	2021	2020
Balance, beginning of year	\$ 405,351	\$ 67,731
Funding received during the year	1,754,825	951,881
Amounts recognized in revenue	<u>(2,043,885)</u>	<u>(614,261)</u>
Balance, end of year	<u>\$ 116,291</u>	<u>\$ 405,351</u>

6. Obligations under Capital Lease

	2021	2020
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.	\$ 18,470	\$ 44,609
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.	<u>87,165</u>	<u>106,339</u>
Balance of obligation	105,635	150,948
Less: current portion	<u>43,080</u>	<u>52,560</u>
	<u>\$ 62,555</u>	<u>\$ 98,388</u>

The interest expense for the year was \$7,247 (2020 - \$9,959).

Future minimum lease payments consist of the following:

2022	\$	43,080
2023		24,120
2024		24,120
2025		<u>24,120</u>
Net minimum lease payments		115,440
Less: imputed interest		<u>9,805</u>
Balance of obligation	\$	<u>105,635</u>

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2021

7. Deferred Capital Contributions

	2021	2020
Balance, beginning of year	\$ 67,805	\$ 88,562
Contributions received	-	5,017
Amounts amortized to revenue	(24,145)	(25,774)
Balance, end of year	\$ 43,660	\$ 67,805

8. Funds Invested in Capital Assets

	2021	2020
Capital assets (Note 4)	\$ 172,364	\$ 280,114
Deferred capital contributions related to capital assets (Note 7)	(43,660)	(67,805)
Capital lease obligations (Note 6)	(105,635)	(150,948)
Balance, end of year	\$ 23,069	\$ 61,361

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:

	2021	2020
Administration	\$ 54,402	\$ 53,876
Fundraising	179,808	124,545
Programs	179,808	129,236
	\$ 414,018	\$ 307,657

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2021

10. Commitments

The Organization leases a premise under an operating lease arrangement and has agreements for internet services, computer services, communication services and waste management services. The minimum payments under the agreements for the next three years are as follows:

	2022		\$	250,097	
	2023			63,024	
	2024			26,859	
				26,859	
			\$	339,980	

11. Transfer of Funds

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

	2021		2020
Amortization of capital assets	\$ 124,733	\$	93,967
Capital funding received	-		5,017
Amortization of deferred capital contributions	(24,145)		(25,774)
Purchase of capital assets	(16,983)		(5,017)
Payments made for obligations under capital lease	(45,313)		(42,600)
Asset acquired under capital lease	-		124,567
Capital lease obligation	-		(124,567)
	\$ 38,292	\$	25,593

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2021

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 fixed income consists of redeemable Guaranteed Investment Certificates.

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.

Due to the pandemic, there has been an increase in need for the services provided by the Organization, which is an essential service and continued to operate during the pandemic. As the impacts of COVID-19 continue, there could be further impacts on the Organization. Management is actively monitoring the effects on its financial conditions, liquidity, operations, suppliers, sector and workforce.

The Organization relies on revenue from donations and grants. During the year, the Organization received significant funds and donated food from multiple sources as a result of the global 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.