

FOOD4KIDS HALTON

Financial Statements
For the year ended August 31, 2024
and Independent Auditor's Report

FOOD4KIDS HALTON
FINANCIAL STATEMENTS
AUGUST 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Food4kids Halton:

Qualified Opinion

We have audited the accompanying financial statements of Food4Kids Halton (the "Entity"), which comprise the statement of financial position as at August 31, 2024, and the statement of operations and changes in net assets and statement of 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 effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2024, 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 not-for-profit organizations, the Entity derives revenue from donations, in-kind 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 Entity. Therefore, we were not able to determine whether any adjustments might be necessary to donations, in-kind donations, and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended August 31, 2024 and 2023, current assets as at August 31, 2024 and 2023, and net assets as at September 1 and August 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended August 31, 2024 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 Entity 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 in our audit 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 judgement 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 Entity'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 Entity'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 Entity 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.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants
Burlington, Ontario
January 31, 2025

FOOD4KIDS HALTON
 STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
 YEAR ENDED AUGUST 31, 2024

	2024	2023
REVENUE		
Donations	\$ 468,447	\$ 317,282
Fundraising	354,259	397,163
Grants	162,073	305,264
In-kind donations	<u>91,233</u>	<u>100,317</u>
	1,076,012	1,120,026
EXPENDITURES		
Administrative salaries	116,009	133,676
Advertising and promotion	7,733	6,230
Bank charges	8,323	8,453
Depreciation	6,519	5,406
Dues and fees	3,320	3,766
Fundraising	8,280	6,758
In-kind food costs	91,233	100,317
Insurance	6,587	2,258
Occupancy costs	44,908	40,562
Office	16,475	12,665
Professional fees	63,776	12,191
Program costs (Note 7)	799,856	662,385
Travel	7,358	4,942
Utilities	<u>4,438</u>	<u>4,817</u>
	1,184,815	1,004,426
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(108,803)	115,600
INTEREST INCOME	12,893	4,125
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(95,910)	119,725
NET ASSETS, BEGINNING OF YEAR	585,384	465,659
NET ASSETS, END OF YEAR	\$ 489,474	\$ 585,384

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

FOOD4KIDS HALTON
 STATEMENT OF FINANCIAL POSITION
 AUGUST 31, 2024

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash	\$ 223,858	\$ 381,350
Term deposits (Note 2)	247,732	234,840
Harmonized sales tax recoverable	16,132	9,820
Food inventory	19,396	11,041
Prepaid expenses	<u>13,442</u>	<u>10,207</u>
	520,560	647,258
Equipment and leasehold improvements (Note 3)	<u>11,423</u>	<u>10,744</u>
	\$ 531,983	\$ 658,002
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 28,766	\$ 42,193
Current portion of deferred contributions	<u>8,778</u>	<u>25,000</u>
	37,544	67,193
Long-term deferred contributions (Note 5)	4,425	3,281
Deferred lease inducement	540	2,144
Commitment (Note 6)		
	<u>42,509</u>	<u>72,618</u>
NET ASSETS	<u>489,474</u>	<u>585,384</u>
	\$ 531,983	\$ 658,002

Approved by the Board:

Member

Member

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

FOOD4KIDS HALTON

STATEMENT OF CASH FLOWS YEAR ENDED AUGUST 31, 2024

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (95,910)	\$ 119,725
Depreciation, an item not affecting cash	<u>6,519</u>	<u>5,406</u>
	(89,391)	125,131
Changes in non-cash operating assets and liabilities		
Harmonized sales tax recoverable	(6,312)	(309)
Food inventory	(8,355)	23,196
Prepaid expenses	(3,235)	(2,134)
Accounts payable and accrued liabilities	(13,427)	29,321
Deferred contributions	(14,750)	2,314
Deferred lease inducement	<u>(1,604)</u>	<u>(1,604)</u>
	(137,074)	175,915
INVESTING ACTIVITIES		
Proceeds on maturity of term deposits	234,840	230,715
Purchase of term deposits	(247,732)	(234,840)
Purchase of equipment and leasehold improvements	<u>(7,526)</u>	<u>(1,669)</u>
	(20,418)	(5,794)
INCREASE (DECREASE) IN CASH	(157,492)	170,121
CASH, BEGINNING OF YEAR	<u>381,350</u>	<u>211,229</u>
CASH, END OF YEAR	<u>\$ 223,858</u>	<u>\$ 381,350</u>

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

FOOD4KIDS HALTON

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

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

Nature of organization

Food4Kids Halton was incorporated without share capital under the Ontario Business Corporations Act as a not-for-profit organization on February 23, 2018. The Entity became a Registered Charity effective September 1, 2018, and began its operations on September 1, 2018. The Entity's mission is to provide healthy food to elementary school students from at-risk, low-income or disadvantaged homes with limited or no food during weekend periods.

Revenue recognition

The Entity follows the deferral method of accounting for donations and other contributions. Restricted donations are recognized as revenue in the year where expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Fundraising revenues are recognized when the event has been held. Grant income are recognized by the terms of the grant letter and recorded over the term of the grant period.

Interest income is recognized as revenue when earned.

Food inventory

Inventory consists of food inventory in the current year. Inventory was all received from in-kind donations and is valued at the time of donation. The cost of inventory is the cost of purchases and in-kind donation value. The amount of inventory expensed during the year was \$762,321 (2023 - \$647,026).

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at acquisition cost. Leasehold improvements are being depreciated on a straight-line basis over a period of five years. Depreciation on the equipment is calculated using the diminishing-balance method at the following rates:

Equipment	20%
Computer equipment	55%
Computer software	55%

One-half the normal rate of depreciation is recorded in the year of acquisition.

Long-lived assets

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

FOOD4KIDS HALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION — continued

Financial instruments

(a) **Measurement of financial instruments**

(i) **Initial measurement**

The Entity initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Entity is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Entity in the transaction.

(ii) **Subsequent measurement**

The Entity subsequently measures all its financial assets and liabilities at cost or 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 income in the period incurred.

Financial assets measured at amortized cost include cash and term deposits.

The fair value of the investments are equal to cost due to the nature of the investment.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(b) **Transaction costs**

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

(c) **Impairment**

For financial assets measured at cost or amortized cost, the Entity determines whether there are indications of possible impairment. When there are, and the Entity 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 income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no 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 income.

FOOD4KIDS HALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION — continued

Contributed services and materials

Some of the work of the Entity is dependent on the services of volunteers. Since these services are not normally purchased by the Entity and because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributed materials such as donated food supplies used in the normal course of operations that would have been purchased are recorded as in-kind food donations at their fair value at the date of contribution.

Goods and Services Tax - Harmonized Sales Tax

As a registered charity, the Entity is eligible for the GST/HST Public Service Bodies' Rebate, which allows for a percentage of HST paid to be recovered.

Income taxes

No provision for income taxes is required as the Entity is exempt from income taxes.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are useful lives of equipment and leasehold improvements, impairment of long-lived assets, revenue recognition and accrued liabilities.

External events such as domestic and international pandemics, geopolitical unrest, natural disasters, climate change or inflationary pressures may cause economic uncertainty for many companies. Management assesses available information about the future, considers the possible outcomes, and develops a planned response to mitigate the effect of significant events or changes in conditions impacting the Entity. Although it is not guaranteed that these efforts will be successful, management is of the opinion that the actions that the Entity has taken are sufficient to mitigate these uncertainties.

2. TERM DEPOSITS

	<u>2024</u>	<u>2023</u>
Tandia GIC Term 4 - 4.20%, matured October, 2023	\$ -	\$ 101,884
RBC - Redeemable GIC - 2.75%, matured May, 2024	-	30,512
Tandia GIC Term 7 - 4.75%, matured June, 2024	-	102,444
Tandia GIC Term 8 - 5.50%, maturing November, 2024	106,529	-
Tandia GIC Term 9 - 5.00%, maturing May, 2025	109,852	-
RBC - Redeemable GIC - 3.45%, maturing May, 2025	31,351	-
	\$ 247,732	\$ 234,840

FOOD4KIDS HALTON
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2024

3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	2024		2023	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Equipment	\$ 5,197	\$ 1,924	\$ 5,197	\$ 1,515
Computer equipment	9,545	7,362	8,341	5,430
Computer software	6,322	1,739	-	-
Leasehold improvements	<u>13,837</u>	<u>12,453</u>	13,837	9,686
	<u><u>34,901</u></u>	<u><u>23,478</u></u>	27,375	16,631
Net book value	<u><u>\$ 11,423</u></u>		<u><u>\$ 10,744</u></u>	

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade accounts payable	\$ 5,687	\$ -
Credit card payable	4,893	28,026
Employee payroll deductions payable	9,186	5,167
Professional fee accrual	<u>9,000</u>	<u>9,000</u>
	<u><u>\$ 28,766</u></u>	<u><u>\$ 42,193</u></u>

FOOD4KIDS HALTON
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2024

5. DEFERRED CONTRIBUTIONS

Current deferred contributions represent unspent resources externally restricted for specific purposes that were received during the current year, that were not spent by year end. The change during the year represents funds received of \$12,504 and funds spent of \$27,582.

	2024	2023
Beginning balance	\$ 28,281	\$ 26,331
Add: Amounts received during the year	12,504	25,000
Less: Amounts spent during the year	<u>(27,582)</u>	<u>(23,050)</u>
	13,203	28,281
Less: Current portion of deferred contribution	<u>(8,778)</u>	<u>-</u>
	<u>-</u>	<u>(25,000)</u>
Long-term deferred contribution	\$ 4,425	\$ 3,281

Long-term deferred contribution represents:

- (i) the in-kind donation of refrigeration equipment with a cost of \$4,500, donated by Food4Kids Ontario. At August 31, 2024, the net book value was \$2,952.
- (ii) grants received from RedCross for software purchase with a cost of \$6,322 and annual subscription for \$6,182. At August 31, 2024, the net book value of the software was \$4,584, prepaid portion for annual subscription was \$5,667.

6. COMMITMENT

On September 25, 2019, the Entity entered into an agreement to lease property which expires December 31, 2024. The remaining payments totaled \$12,349.

On September 24, 2024, the Entity entered into an agreement to lease property which expires December 31, 2029. The lease requires monthly payments of base rent plus common area expenses which started in January 2025.

On May 16, 2022, the Entity entered into an agreement to lease a van which expires June 7, 2026. The lease requires monthly payments of \$1,109.

Minimum lease payments under the leases are as follows:

Years ending August 31,	2025	\$ 39,968
	2026	32,971
	2027	22,538
	2028	23,216
	2029	23,911
	Thereafter	<u>8,049</u>
		\$ 150,653

FOOD4KIDS HALTON
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2024

7. PROGRAM COSTS

	<u>2024</u>	<u>2023</u>
Food	\$ 679,022	\$ 545,019
Salaries	116,976	114,590
Small supplies	2,049	1,690
Volunteer expenses	1,809	1,085
 Total	 \$ 799,856	 \$ 662,384

8. FINANCIAL RISK MANAGEMENT

The Entity has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

It is management's opinion that the Entity is not exposed to significant interest rate risk, market risk, current risk, liquidity risk and credit risk arising from its financial instruments.
