

FOOD4KIDS HALTON

Financial Statements
for the Year Ended August 31, 2022
and Independent Auditor's Report to the Board of Directors

FOOD4KIDS HALTON

FINANCIAL STATEMENTS

AUGUST 31, 2022

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CHARTERED
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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, 2022 and the statements of operations and changes in net assets and 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 possible 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, 2022, and the results of its 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, 2022 and 2021, current assets as at August 31, 2022 and 2021 and net assets as at September 1 and August 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended August 31, 2021 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 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 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

February 7, 2023



FOOD4KIDS HALTON
 STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
 YEAR ENDED AUGUST 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUES		
Donations	\$ 311,840	\$ 343,367
Fundraising	217,186	232,779
Grants	262,874	231,257
In-kind donations	<u>109,522</u>	<u>90,818</u>
	901,422	898,221
EXPENSES		
Administrative salaries	98,882	105,388
Advertising and promotion	4,898	2,733
Bank charges	7,131	8,386
Depreciation	4,780	3,566
Dues and fees	3,615	5,120
Fundraising	2,023	1,667
In-kind food costs	<u>109,522</u>	<u>90,818</u>
Insurance	2,328	1,603
Office supplies	12,055	12,884
Professional fees	19,355	10,288
Program costs	571,593	509,295
Rent - office	41,219	40,252
Travel	4,247	2,863
Utilities	<u>4,471</u>	<u>4,321</u>
	886,119	799,184
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	15,303	99,037
OTHER INCOME	172	1,673
EXCESS OF REVENUES OVER EXPENSES	15,475	100,710
NET ASSETS, BEGINNING OF YEAR	450,184	349,474
NET ASSETS, END OF YEAR	\$ 465,659	\$ 450,184

FOOD4KIDS HALTON
 STATEMENT OF FINANCIAL POSITION
 AUGUST 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash	\$ 211,229	\$ 233,397
Term deposits (Note 2)	230,715	230,970
Harmonized sales tax recoverable	9,511	14,877
Food inventory	34,237	21,812
Prepaid expenses	8,073	5,891
	<u>493,765</u>	<u>506,947</u>
Equipment and leasehold improvements (Note 3)	14,846	15,559
	\$ 508,611	\$ 522,506
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 12,873	\$ 12,920
Current portion of deferred contributions	<u>22,686</u>	<u>50,000</u>
	<u>35,559</u>	<u>62,920</u>
Long-term deferred contribution (Note 5)	3,645	4,050
Deferred lease inducement	3,748	5,352
Commitment (Note 6)		
	42,952	72,322
NET ASSETS	465,659	450,184
	\$ 508,611	\$ 522,506

Approved by the Board:

..... Director

..... Director

FOOD4KIDS HALTON

STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2022

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 15,475	\$ 100,710
Depreciation, an item not affecting cash	<u>4,780</u>	<u>3,566</u>
	20,255	104,276
Changes in non-cash operating assets and liabilities		
Harmonized sales tax recoverable	5,366	(7,421)
Food inventory	(12,425)	(6,638)
Prepaid expenses	(2,182)	-
Accounts payable and accrued liabilities	(47)	(19,102)
Current portion of deferred contributions	(27,314)	(8,508)
Deferred lease inducement	<u>(1,604)</u>	<u>(1,604)</u>
	(17,951)	61,003
INVESTING ACTIVITIES		
Proceeds on maturity of term deposits	30,420	230,000
Purchase of term deposits	(30,165)	(230,970)
Purchase of equipment and leasehold improvements	<u>(4,472)</u>	<u>(1,897)</u>
	(4,217)	(2,867)
INCREASE (DECREASE) IN CASH	(22,168)	58,136
CASH, BEGINNING OF YEAR	233,397	175,261
CASH, END OF YEAR	\$ 211,229	\$ 233,397

FOOD4KIDS HALTON

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2022

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.

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 \$583,540 (2021 - \$439,190).

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 hardware	55%
Leasehold improvements	S/L 5 years

In the year of acquisition, depreciation is calculated at one-half the normal rates.

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

AUGUST 31, 2022

Financial instruments

(a) Measurement of financial instruments

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 company 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 organization in the transaction.

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.

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

AUGUST 31, 2022

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 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as useful lives of equipment and leasehold improvements, impairment of long-lived assets, revenue recognition and accrued liabilities.

2. TERM DEPOSITS

	<u>2022</u>	<u>2021</u>
RBC - Redeemable GIC - 0.1%, matured May, 2022	\$ -	\$ 30,420
Tandia GIC Term 1 - 1.50%, maturing September, 2022	100,000	100,000
Tandia GIC Term 2 - 1.50%, maturing November, 2022	100,550	100,550
RBC - Redeemable GIC - 1.15%, maturing May, 2023	30,165	-
	\$ 230,715	\$ 230,970

3. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	<u>2022</u>	<u>2021</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Equipment	\$ 5,197	\$ 1,050	\$ 5,197	\$ 520
Computer hardware	6,672	2,891	2,200	1,004
Leasehold improvements	13,837	6,919	13,837	4,151
	25,706	10,860	21,234	5,675
Net book value	\$ 14,846		\$ 15,559	

FOOD4KIDS HALTON
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2022

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Accounts payable		
Credit card payable	\$ 1,315	\$ 2,638
Employee payroll deductions	4,558	3,282
Accrued liabilities	<u>7,000</u>	<u>7,000</u>
	\$ 12,873	\$ 12,920

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 \$30,900 and funds spent of \$58,619.

	2022	2021
Beginning balance	\$ 54,050	\$ 63,008
Add: Amounts received during the year	30,900	50,000
Less: Amounts spent during the year	<u>(58,619)</u>	<u>(58,958)</u>
	26,331	54,050
Less : Current portion of deferred contribution	<u>(22,686)</u>	<u>(50,000)</u>
Long-term deferred contribution	\$ 3,645	\$ 4,050

Long-term deferred contribution represents the in-kind donation of refrigeration equipment with a cost of \$4,500, donated by Food4Kids Ontario. At August 31, 2022, the net book value was \$3,645.

6. COMMITMENT

On September 25, 2019, the Entity entered into an agreement to lease property which expires December 31, 2024. The lease requires monthly payments of base rent plus common area expenses which started in January 2020. Minimum lease payments under the lease are as follows:

Years ending August 31, 2023	\$ 21,172
2024	21,596
2025	<u>7,199</u>
	\$ 49,967

FOOD4KIDS HALTON
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022

7. 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, currency risk, liquidity risk and credit risk arising from its financial instruments.

8. IMPACT OF COVID-19 PANDEMIC

As the pandemic continues to evolve with the emergence of new variants, entities may experience conditions often associated with general economic downturn, including but not limited to, financial market volatility, declining credit, potential return of government intervention, changes in labour markets, and other restructuring activities. The continuation of these circumstances could have a negative impact on an entity's financial conditions and results. Further, inflation, supply-chain disruptions, and labour shortages are affecting companies in different industries to varying degrees.

The ongoing impact of the COVID-19 pandemic and the uncertain economic conditions affecting major markets and economies still remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Entity for future periods.
