

# **FOOD4KIDS HALTON**

Financial Statements  
for the Year Ended August 31, 2021  
and Independent Auditor's Report to the Board of Directors

# **FOOD4KIDS HALTON**

## **FINANCIAL STATEMENTS**

**AUGUST 31, 2021**

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

**December 28, 2021**

**FOOD4KIDS HALTON**  
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED AUGUST 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Donations	\$ 343,367	\$ 258,496
Fundraising	232,779	195,350
Grants	231,257	272,437
In-kind donations	90,818	131,953
	<b>898,221</b>	<b>858,236</b>
<b>EXPENSES</b>		
Administrative salaries	105,388	82,573
Advertising and promotion	2,733	8,562
Bank charges	8,386	5,178
Depreciation	3,566	1,659
Dues and fees	5,120	1,631
Fundraising	1,667	3,640
In-kind food costs	90,818	131,953
Insurance	1,603	1,732
Office supplies	12,884	8,266
Professional fees	10,288	13,431
Program costs	509,295	296,953
Rent - office	40,252	34,825
Travel	2,863	4,324
Utilities	4,321	3,773
	<b>799,184</b>	<b>598,500</b>
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>99,037</b>	<b>259,736</b>
<b>OTHER INCOME</b>	<b>1,673</b>	<b>147</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>100,710</b>	<b>259,883</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>349,474</b>	<b>89,591</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 450,184</b>	<b>\$ 349,474</b>

**FOOD4KIDS HALTON**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2021**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 233,397	\$ 175,261
Term deposits (Note 2)	230,970	230,000
Sales tax recoverable	14,877	7,456
Inventory (Note 3)	21,812	15,174
Prepaid expenses	5,891	5,891
	<b>506,947</b>	433,782
<b>Equipment and leasehold improvements (Note 4)</b>	<b>15,559</b>	17,678
	<b>\$ 522,506</b>	<b>\$ 451,460</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 12,920	\$ 32,022
Current portion of deferred contributions	50,000	58,508
	<b>62,920</b>	90,530
<b>Long-term deferred contribution (Note 6)</b>	<b>4,050</b>	4,500
<b>Deferred lease inducement</b>	<b>5,352</b>	6,956
<b>Commitment (Note 7)</b>		
	<b>72,322</b>	101,986
<b>NET ASSETS</b>	<b>450,184</b>	349,474
	<b>\$ 522,506</b>	<b>\$ 451,460</b>

Approved by the Board:

..... Director

..... Director

**FOOD4KIDS HALTON**STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2021

	<u>2021</u>	<u>2020</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 100,710	\$ 259,883
Depreciation, an item not affecting cash	3,566	1,659
	<b>104,276</b>	261,542
Changes in non-cash operating assets and liabilities		
Sales tax recoverable	(7,421)	(4,069)
Inventory	(6,638)	(15,174)
Prepaid expenses	-	(5,891)
Accounts payable and accrued liabilities	(19,102)	20,365
Current portion of deferred contributions	(8,508)	29,608
Deferred lease inducement	(1,604)	6,956
	<b>61,003</b>	293,337
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment and leasehold improvements	(1,897)	(14,837)
Proceeds on maturity of term deposits	230,000	10,000
Purchase of term deposits	(230,970)	(230,000)
	<b>(2,867)</b>	(234,837)
<b>INCREASE IN CASH, END OF YEAR</b>	<b>58,136</b>	58,500
<b>CASH, BEGINNING OF YEAR</b>	<b>175,261</b>	116,761
<b>CASH, END OF YEAR</b>	<b>\$ 233,397</b>	<b>\$ 175,261</b>

# FOOD4KIDS HALTON

## NOTES TO THE FINANCIAL STATEMENTS

### AUGUST 31, 2021

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#### 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.

##### ***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 \$439,190 (2020 - \$347,198).

##### ***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, 2021

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#### **Financial instruments**

##### **(a) Measurement of financial instruments**

The Entity initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

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

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

##### **(b) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

#### **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.

**FOOD4KIDS HALTON**  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2021

**2. TERM DEPOSITS**

	<u>2021</u>	<u>2020</u>
RBC - Redeemable GIC - 1.4%, matured May, 2021	\$ -	\$ 30,000
RBC - Non Redeemable GIC - 0.95%, matured May, 2021	-	100,000
RBC - One year cashable GIC - 0.55%, matured May, 2021	-	100,000
RBC - Redeemable GIC - 0.1%, maturing May, 2022	<b>30,420</b>	-
Tandia GIC Term 1 - 1.50%, maturing September, 2022	<b>100,000</b>	-
Tandia GIC Term 2 - 1.50%, maturing November, 2022	<b>100,550</b>	-
	<b>\$ 230,970</b>	<b>\$ 230,000</b>

**3. INVENTORY**

	<u>2021</u>	<u>2020</u>
COVID-19 supplies	\$ -	\$ 1,688
Food inventory	<b>21,812</b>	10,186
Gifts for kids	-	3,300
	<b>\$ 21,812</b>	<b>\$ 15,174</b>

**4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

	<u>2021</u>		<u>2020</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Equipment	\$ 5,197	\$ 520	\$ 4,500	\$ -
Computer hardware	2,200	1,004	1,000	275
Leasehold improvements	13,837	4,151	13,837	1,384
	21,234	5,675	19,337	1,659
Net book value		\$ 15,559		\$ 17,678

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2021</u>	<u>2020</u>
Accounts payable		
Credit card payable	\$ 2,638	\$ 20,614
Employee payroll deductions	3,282	4,408
Accrued liabilities	<b>7,000</b>	7,000
	<b>\$ 12,920</b>	<b>\$ 32,022</b>

**FOOD4KIDS HALTON**  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2021

## 6. 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 \$50,000 and funds spent of \$58,508.

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 63,008	\$ 28,900
Add: Amounts received during the year	50,000	63,008
Less: Amounts spent during the year	(58,958)	(28,900)
	<b>54,050</b>	63,008
Less : Current portion of deferred contribution	(50,000)	(58,508)
Long-term deferred contribution	<b>\$ 4,050</b>	\$ 4,500

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, 2021, the net book value was \$4,050.

## 7. 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, 2022	\$ 20,325
2023	21,172
2024	21,596
2025	7,199
	<b>\$ 70,292</b>

## 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.

### (a) Liquidity risk:

Liquidity risk is the risk that an Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Entity expects positive cash flows from operations in the coming year, which will be sufficient to fund requirements for 2022.

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

**FOOD4KIDS HALTON**  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2021

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**9. IMPACT OF COVID-19 PANDEMIC**

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The Entity has determined that adjustments to the financial statements are not required as a result of these events. Accordingly, the financial position and results of operations as of and for the year ended August 31, 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, 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.

Although COVID-19 presents many challenges, contributions from individuals, corporations, community grants, and Food4Kids Ontario have enabled the Entity to continue its work. The Entity carries a healthy surplus of funds as a way to ensure continued service in an uncertain climate. In anticipation of increased demand for its service due to increased job loss, the Entity is establishing a Board-directed Emergency Food Fund.

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