

FOOD4KIDS HALTON

Financial Statements
for the Year Ended August 31, 2020
and Independent Auditor's Report to the Board of Directors

FOOD4KIDS HALTON

FINANCIAL STATEMENTS
AUGUST 31, 2020

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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, 2020 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, 2020, 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, 2020 and 2019, current assets as at August 31, 2020 and 2019, and net assets as at September 1 and August 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended August 31, 2019 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 15, 2020



FOOD4KIDS HALTON
 STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
 YEAR ENDED AUGUST 31, 2020

	<u>2020</u>	<u>2019</u>
REVENUES		
Donations	\$ 258,496	\$ 107,691
Fundraising	195,350	260,303
Grants	272,437	94,885
In-kind donations	<u>131,953</u>	<u>59,290</u>
	858,236	522,169
EXPENSES		
Administrative salaries	82,573	65,367
Advertising and promotion	8,562	2,699
Bank charges	5,178	2,381
Depreciation	1,659	-
Dues and fees	1,631	1,014
Fundraising	3,640	14,293
In-kind food costs	<u>131,953</u>	<u>59,290</u>
Insurance	1,732	1,607
Office supplies	8,266	4,502
Professional fees	13,431	10,229
Program costs	<u>296,953</u>	<u>252,132</u>
Rent - office	34,825	9,426
Travel	4,324	6,536
Utilities	<u>3,773</u>	<u>3,102</u>
	598,500	432,578
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	259,736	89,591
OTHER INCOME	147	-
EXCESS OF REVENUES OVER EXPENSES	259,883	89,591
NET ASSETS, BEGINNING OF YEAR	89,591	-
NET ASSETS, END OF YEAR	\$ 349,474	\$ 89,591

FOOD4KIDS HALTON
 STATEMENT OF FINANCIAL POSITION
 AUGUST 31, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash	\$ 175,261	\$ 116,761
Term deposits (Note 2)	230,000	10,000
Sales tax recoverable	7,456	3,387
Inventory (Note 3)	15,174	-
Prepaid expenses	5,891	-
	433,782	130,148
Equipment and leasehold improvements (Note 4)	17,678	-
	\$ 451,460	\$ 130,148
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 32,022	\$ 11,657
Current portion of deferred contributions (Note 6)	58,508	28,900
	90,530	40,557
Long-term deferred contribution (Note 6)	4,500	-
Deferred lease inducement	6,956	-
Commitment (Note 7)		
	101,986	40,557
NET ASSETS	349,474	89,591
	\$ 451,460	\$ 130,148

Approved by the Board:

..... Director

..... Director

FOOD4KIDS HALTON

STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2020

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 259,883	\$ 89,591
Depreciation, an item not affecting cash	1,659	-
	<hr/>	<hr/>
Changes in non-cash operating assets and liabilities	261,542	89,591
Sales tax recoverable	(4,069)	(3,387)
Inventory	(15,174)	-
Prepaid expenses	(5,891)	-
Accounts payable and accrued liabilities	20,365	11,657
Current portion of deferred contributions	29,608	28,900
Deferred lease inducement	6,956	-
	<hr/>	<hr/>
	293,337	126,761
INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(14,837)	-
Proceeds on maturity of term deposit	10,000	-
Purchase of term deposits	(230,000)	(10,000)
	<hr/>	<hr/>
	(234,837)	(10,000)
INCREASE IN CASH, END OF YEAR	58,500	116,761
CASH, BEGINNING OF YEAR	116,761	-
CASH, END OF YEAR	\$ 175,261	\$ 116,761

SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOWS

In 2020, the Entity acquired equipment and leasehold improvements at a cost of \$19,337 of which \$4,500 was a refrigeration unit donated by Food4Kids Ontario and was recorded as deferred in-kind revenue since the equipment was unused and unamortized in the current fiscal year. The net amount of \$14,837 is included as cash flows paid from investing activities in that year.

FOOD4KIDS HALTON

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2020

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 consist of food inventory, COVID-19 supplies and activity packs for kids. Inventory was all received from in-kind donation 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 end August 31, 2020 was \$347,198.

Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at acquisition cost. Leasehold improvements are being amortized 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, 2020

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 capital assets, impairment of long-lived assets, revenue recognition, and accrued liabilities.

FOOD4KIDS HALTON
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2020

2. TERM DEPOSITS

	<u>2020</u>	<u>2019</u>
RBC - One year cashable GIC - 1.4%, matured April 11, 2020	\$ -	\$ 10,000
RBC - Redeemable GIC - 1.4%, maturing May, 2021	30,000	-
RBC - Non Redeemable GIC - 0.95%, maturing May, 2021	100,000	-
RBC - One year cashable GIC - 0.55%, maturing August, 2021	100,000	-
	<hr/>	<hr/>
	\$ 230,000	\$ 10,000

3. INVENTORY

	<u>2020</u>	<u>2019</u>
COVID-19 supplies	\$ 1,688	\$ -
Food inventory	10,186	-
Gifts for kids	3,300	-
	<hr/>	<hr/>
	\$ 15,174	\$ -

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	<u>2020</u>	<u>2019</u>		
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Equipment	\$ 4,500	\$ -	\$ -	\$ -
Computer hardware	1,000	275	-	-
Leasehold improvements	13,837	1,384	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	19,337	1,659	-	-
Net book value	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 17,678	\$ -	\$ -	\$ -

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 20,614	\$ 584
Credit card payable	4,408	4,071
Employee payroll deductions	7,000	7,002
Other payables	<hr/>	<hr/>
	\$ 32,022	\$ 11,657

FOOD4KIDS HALTON
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2020

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 \$43,334, in-kind donations received of \$19,674, and funds spent of \$28,900.

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 28,900	\$ -
Add: Amounts received during the year	63,008	28,900
Less: Amounts spent during the year.	<u>(28,900)</u>	<u>-</u>
	63,008	28,900
Less : Current portion of deferred contribution	<u>(58,508)</u>	<u>-</u>
Long-term deferred contribution	\$ 4,500	\$ 28,900

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, 2021	\$ 19,873
2022	20,325
2023	21,172
2024	21,596
2025	<u>7,199</u>
	\$ 90,165

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) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risks relate to its GIC investments.

(b) 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 2021.

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

FOOD4KIDS HALTON
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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, 2020 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.
