

**FOOD FOR LIFE CANADA
CHARITABLE CORPORATION**

FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2017

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GLENN • GRAYDON • WRIGHT LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Directors
Food for Life Canada Charitable Corporation

We have audited the accompanying financial statements of Food for Life Canada Charitable Corporation which comprise the statement of financial position as at September 30, 2017, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derived revenues from fundraising and donations, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to fundraising and donation revenue, general fund or net assets at year end.

Qualified Opinion

In our opinion, except for the effect of the matters in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Food for Life Canada Charitable Corporation as at September 30, 2017 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.

The financial statements of Food for Life Canada Charitable Corporation for the year ended September 30, 2016 were audited by another auditor who express a modified opinion on those financial statements on December 7, 2016.

Glenn Graydon Wright LLP

Chartered Accountants
Licensed Public Accountants
Oakville, Ontario
December 12, 2017

FOOD FOR LIFE CANADA CHARITABLE CORPORATION

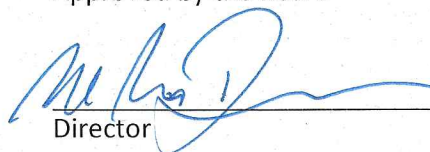
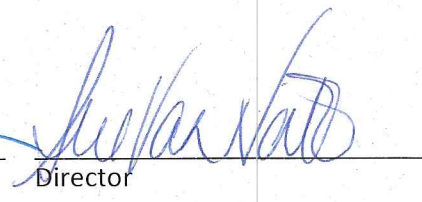
(Incorporated without share capital)

Statement of financial position

As at September 30, 2017

	2017	2016
Assets		
Current assets		
Cash and short-term investments (Note 4)	\$ 621,217	478,323
Accounts receivable	12,682	9,757
Prepaid expenses	9,054	4,054
	642,953	492,134
Property, plant and equipment (Note 5)	152,266	212,550
	\$ 795,219	704,684
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 37,716	46,442
Deferred contributions (Note 7)	489,666	340,644
	527,382	387,086
Deferred contributions related to property, plant and equipment (Note 8)	144,577	205,918
	671,959	593,004
Net assets		
Invested in property, plant and equipment	7,690	6,633
Internally restricted	75,000	50,000
Unrestricted	40,570	55,047
	123,260	111,680
	\$ 795,219	704,684

Approved by the Board

Director

Director



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of changes in net assets

For the year ended September 30, 2017

	Invested in property, plant and equipment	Stabilization fund Internally restricted	Unrestricted	Total 2017	Total 2016
Net assets, beginning of year	\$ 6,633	50,000	55,047	111,680	115,046
Excess of revenue over expenditure (expenditure over revenue) for year	(2,451)	-	14,031	11,580	(3,366)
Interfund transfer (Note 9)	3,508	25,000	(28,508)	-	-
Net assets, end of the year	\$ 7,690	75,000	40,570	123,260	111,680



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of operations

For the year ended September 30, 2017

	2017	2016
Revenue		
Amortization of deferred contributions (Note 8)	\$ 69,386	67,650
Donated food	7,827,258	5,815,523
Donations and fundraising	266,141	197,127
The Regional Municipality of Halton grant	162,733	138,038
Other grants	296,406	262,155
Other income	10,737	8,648
United Way	108,143	107,625
	8,740,804	6,596,766
Expenditure		
Administration	27,539	22,278
Amortization	71,837	69,744
Distribution of donated food	7,827,258	5,815,523
Fundraising	4,301	6,194
Insurance	4,747	4,769
Other agencies' support	25,353	41,285
Professional fees	26,130	20,844
Promotion	23,010	9,642
Salaries, benefits and contracts	518,749	433,443
Telephone	6,745	5,794
Travel and conferences	8,335	6,039
Utilities	14,697	16,676
Vehicle operating costs	80,834	80,273
Warehouse rental	46,216	46,337
Warehousing and supplies	43,473	21,291
	8,729,224	6,600,132
Excess of revenue over expenditure (expenditure over revenue) for year	\$ 11,580	(3,366)



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of cash flows

For the year ended September 30, 2017

	2017	2016
Cash flows from (used in) operating activities		
Excess of revenue over expenditure		
(expenditure over revenue) for year	\$ 11,580	(3,366)
Amortization of deferred contributions	(69,386)	(67,650)
Adjustment for		
Amortization of property, plant and equipment	71,837	69,744
	14,031	(1,272)
Changes in non-cash working capital		
(Increase) decrease in accounts receivable	(2,925)	14,890
Increase in prepaid expenses	(5,000)	-
(Decrease) increase in accounts payable and accrued liabilities	(8,726)	32,035
Increase in deferred contributions	149,022	125,120
Cash flows from operating activities	146,402	170,773
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	(11,553)	(123,576)
Cash flows used in investing activities	(11,553)	(123,576)
Cash flows from (used in) financing activities		
Deferred contributions related to property, plant and equipment	8,045	8,576
Cash flows from financing activities	8,045	8,576
Net increase in cash and short-term investments during year	142,894	170,773
Cash and short-term investments, beginning of year	478,323	307,550
Cash and short-term investments, end of year	\$ 621,217	478,323
Cash and short-term investments is comprised of:		
Cash	\$ 201,217	103,323
Short-term investments	420,000	375,000
	\$ 621,217	478,323



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2017

1. Purpose of the corporation

Food for Life Canada Charitable Corporation (the "corporation") was incorporated without share capital under the laws of the Province of Ontario on November 6, 2002 for the purpose of providing a sustainable, perishable food network that is able to supplement the nutritional needs of individuals in need. Prior to incorporation, the corporation operated as Food for Life Canada.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies where alternatives are available:

a) Management estimates

The preparation of the 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 and disclosure of contingent 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 and the effect on the financial statements of changes in such estimates in future periods could be significant.

b) Basis of accounting

The corporation follows the deferral method of accounting for contributions for financial statement reporting purposes. The accounts have been classified into the following funds:

(i) Invested in property, plant and equipment fund

The invested in property, plant and equipment fund reports the accounts for assets, liabilities, revenues and expenditures relating to property, plant and equipment.

(ii) Internally restricted fund

The internally restricted fund represents funds available for purposes specified by the Board of Directors from time-to-time. Any use of these funds requires approval by the Board of Directors.

(iii) Unrestricted fund

The unrestricted fund accounts for the corporation's program delivery and administrative activities.



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2017

2. Significant accounting policies – continued

c) Cash and short-term investments

Cash and short-term investments include cash on hand and balances with banks, net of bank overdrafts and highly liquid temporary money market instruments with original maturities of three months or less.

d) Revenue recognition

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Food donations are recognized when delivered to an agency. Donated food is valued at the average price per pound of food established by the Nielsen Market Tract of \$2.50 per pound. As donated food on hand at year end has no net realizable value, it is not disclosed as inventory. In 2017 management estimates that approximately 3,130,903 pounds of food (2016 – 2,326,209) were received and donated. Based on the valuation, the total amount received and donated during the year was \$7,827,258 (2016 - \$5,815,523).

e) Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost. Amortization is recorded in the accounts at rates intended to write off the cost of the assets over their estimated useful life. In the year of acquisition, property, plant and equipment, excluding leasehold improvements, are amortized at one-half of the normal rate. Methods and rates are:

Furniture and equipment
5 years straight-line basis

Vehicles
5 years straight-line basis

Refrigeration equipment
10 years straight-line basis

Leasehold improvements
5 years straight-line basis

f) Deferred contributions

Deferred contributions consist of funds from grants or donations received relating to expenditures arising in the next fiscal year or future years.



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2017

2. Significant accounting policies – continued

g) Deferred contributions related to property, plant and equipment

Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate of the related assets.

h) Contributed materials and services

The corporation recognizes contributed materials and services if the determination of fair value is readily available. The value of volunteer time is not reflected in these financial statements.

3. Financial instruments

a) Fair value

The corporation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The entity subsequently measures all its financial assets and financial liabilities at cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in underlying market factors. The corporation is exposed to interest rate risk.

i) 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 corporation's short-term investments bear interest at fixed rates. Consequently, the cash flow risks are not significant. However, there is a risk of fair value on this part of the asset.

c) Liquidity risk

Liquidity risk is the risk that the corporation cannot meet a demand for cash or fund its obligations as they come due. Unless otherwise noted, the corporation is not subject to significant liquidity risk. The corporation manages liquidity risk by:

- maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements.
- investing in liquid fixed income securities and cash equivalents that, if necessary, can be sold to generate cash flow.



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2017

4. Cash and short-term investments

Cash and short-term investments consist of Guaranteed Investment Certificates with rates of return ranging from 0.75% to 0.85% and having maturity dates up to September 28, 2019.

5. Property, plant and equipment

		2017		2016	
	Cost	Accumulated amortization	Net	Net	
Furniture and equipment	\$ 10,276	3,228	7,048	7,290	
Vehicles	407,326	308,518	98,808	147,409	
Refrigeration equipment	118,850	84,025	34,825	46,711	
Leasehold improvements	66,616	55,031	11,585	11,140	
	\$ 603,068	450,802	152,266	212,550	

Amortization recorded during the year amounted to \$71,837.

During the year, the aggregate cost of \$3,508 of property, plant and equipment were acquired for cash and the aggregate cost of \$8,045 were acquired from contributions received.

6. Accounts payable and accrued liabilities

		2017	2016
Accounts payable and accrued liabilities	\$	37,716	43,221
Government remittances payable		-	3,221
	\$	37,716	46,442

7. Deferred contributions

		The Regional Municipality of Halton	Other grants	Total 2017	Total 2016
Balance, beginning of year	\$	79,443	261,201	340,644	215,524
Contributions received		142,206	474,000	616,206	493,769
Utilized for capital purchases		-	(8,045)	(8,045)	(8,576)
Donor designated expenditures		(162,733)	(296,406)	(459,139)	(360,073)
Balance, end of year	\$	58,916	430,750	489,666	340,644



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2017

8. Deferred contributions related to property, plant and equipment

Deferred contributions related to property, plant and equipment represent the unamortized amount of donations received for the purchase of property, plant and equipment. The amortization of the deferred contributions is recorded as revenue in the statement of operations as the related expenses are incurred. The changes in the deferred contributions related to property, plant and equipment balances during the year are as follows:

	2017	2016
Balance, beginning of year	\$ 205,918	264,990
Contributions received	8,045	8,578
Amount amortized to revenue	(69,386)	(67,650)
Balance, end of year	\$ <u>144,577</u>	<u>205,918</u>

9. Interfund transfer

During the year, the Board of Directors authorized a transfer of \$28,508 from unrestricted to internally restricted stabilization fund. Both the allocation to and from internally restricted net assets is determined on an annual basis at the discretion of the Board of Directors and may be used to offset a shortfall in operations.

10. Operating lease commitments

Future minimum rental payments required under operating leases that have initial or remaining terms in excess of one year are:

2018	\$ 51,500
2019	51,800
2020	51,800
2021	51,800
Thereafter	<u>69,200</u>
	\$ <u>276,100</u>

11. Income taxes

The corporation is a registered charity and is therefore exempt from income taxes under Section 149(1)(f) of the Income Tax Act.

12. Economic dependence

The corporation is dependent on the operating grants provided by The Regional Municipality of Halton, Ontario Trillium Foundation, The Sprott Foundation and the United Way.

13. Comparative figures

Certain figures in the 2016 financial statements have been reclassified to conform with the basis of presentation used in 2017.

