

**FOOD FOR LIFE CANADA
CHARITABLE CORPORATION**

FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2019

Contents	Page
Independent auditors' report	1 - 2
Statement of financial position	3
Statement of changes in net assets	4
Statement of operations	5
Statement of cash flows	6
Notes to financial statements	7 - 11





INDEPENDENT AUDITORS' REPORT

To the Directors
Food for Life Canada Charitable Corporation

Qualified Opinion

We have audited the financial statements of Food for Life Canada Charitable Corporation (the "Corporation") which comprise the statement of financial position as at September 30, 2019, and the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2019, 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 charitable organizations, the Corporation derived revenues from fundraising and donations, the completeness of which are not susceptible to satisfactory audit verification. The Corporation also derives revenues from donated food products, of which the accuracy of the weight is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and verification of the accuracy of the donated food and distribution of donated food was limited to the amounts recorded in the records of the Corporation. Therefore, we were not able to determine whether any adjustments might be necessary to donated food, donations and fundraising revenue, distribution of donated food, excess of revenue over expenditure, cash flows from operations, general fund or net assets for the years ended September 30, 2019 and September 30, 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



INDEPENDENT AUDITORS' REPORT, continued

Auditors' 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 auditors' 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Corporation 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.

Glenn Graydon Wright LLP

Chartered Professional Accountants
Licensed Public Accountants
Oakville, Ontario
December 13, 2019

FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of financial position

As at September 30, 2019

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 552,441	360,888
Accounts receivable	44,068	77,349
Prepaid expenses	50,906	6,611
	647,415	444,848
Property, plant and equipment (Note 4)	280,026	373,617
	\$ 927,441	818,465
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 26,156	26,096
Deferred contributions (Note 5)	426,722	309,040
	452,878	335,136
Deferred contributions related to property, plant and equipment (Note 6)	252,973	360,612
	705,851	695,748
Net assets		
Invested in property, plant and equipment	72,054	13,006
Internally restricted	125,000	75,000
Unrestricted	24,536	34,711
	221,590	122,717
	\$ 927,441	818,465

Approved by the Board

Sue Van Natto
Director and Treasurer

Roland Walton
Chair of the Board of Directors



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of changes in net assets

For the year ended September 30, 2019

	Invested in property, plant and equipment	Stabilization fund internally restricted	Unrestricted	Total 2019	Total 2018
Fund balances, beginning of year	\$ 13,006	75,000	34,711	122,717	123,260
Excess of revenue over expenditure (expenditure over revenue) for year	(5,131)	-	104,004	98,873	(543)
Purchase of property, plant and equipment	19,179	-	(19,179)	-	-
Transfer between funds	45,000	50,000	(95,000)	-	-
Fund balances, end of the year	\$ 72,054	125,000	24,536	221,590	122,717



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of operations**For the year ended September 30, 2019**

	2019	2018
Revenue		
Amortization of deferred contributions (Note 6)	\$ 107,639	83,565
Donated food	9,662,970	9,389,762
Donations and fundraising	427,219	302,301
The Regional Municipality of Halton grant	170,478	161,531
Other grants	353,113	353,349
Other income	48,521	6,711
United Way	95,830	101,936
	10,865,770	10,399,155
Expenditure		
Administration	27,346	31,991
Amortization	112,770	86,480
Distribution of donated food	9,662,970	9,389,762
Fundraising	25,628	17,667
Insurance	5,441	5,019
Other agencies' support	6,250	28,448
Professional fees	26,989	26,706
Promotion	39,434	32,211
Salaries, benefits and contracts	684,513	592,313
Telephone	8,067	6,984
Travel and conferences	7,922	5,694
Utilities	12,883	12,316
Vehicle operating costs	55,897	77,316
Warehouse rental	55,344	53,286
Warehousing and supplies	35,443	40,705
	10,766,897	10,406,898
Excess of revenue over expenditure		
(expenditure over revenue), before other	98,873	(7,743)
Other		
Gain on disposal of property, plant and equipment	-	7,200
Excess of revenue over expenditure		
(expenditure over revenue) for year	\$ 98,873	(543)



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of cash flows

For the year ended September 30, 2019

	2019	2018
Cash flows from (used in) operating activities		
Excess of revenue over expenditure (expenditure over revenue) for year	\$ 98,873	(543)
Amortization of deferred contributions	(107,639)	(83,565)
Adjustments for		
Amortization of property, plant and equipment	112,770	86,480
Gain on disposal of property, plant and equipment	-	(7,200)
	104,004	(4,828)
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	33,281	(64,667)
(Increase) decrease in prepaid expenses	(44,295)	2,443
Increase (decrease) in accounts payable and accrued liabilities	60	(11,620)
Increase (decrease) in deferred contributions	117,682	(180,626)
Cash flows from (used in) operating activities	210,732	(259,298)
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	(19,179)	(307,831)
Proceeds on disposal of property, plant and equipment	-	7,200
Cash flows used in investing activities	(19,179)	(300,631)
Cash flows from (used in) financing activities		
Deferred contributions related to property, plant and equipment	-	299,600
Cash flows from financing activities	-	299,600
Net increase (decrease) in cash and cash equivalents during year	191,553	(260,329)
Cash and cash equivalents, beginning of year	360,888	621,217
Cash and cash equivalents, end of year	\$ 552,441	360,888



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2019

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, 2019

2. Significant accounting policies – continued

c) Cash and cash equivalents

Cash and cash equivalents are defined as cash and highly liquid investments. These consist primarily of cash held for operating purposes in demand current accounts and term deposits with terms to maturity of three months or less at the date of purchase.

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 incurred and in the year specified in the terms and conditions of each respective agreement.

Donated food is valued at the average price per pound of food established by the Nielsen Market Track of \$2.60 per pound. These donated food products are reflected in the statement of operations and changes in net assets as donated food offsetting distribution of donated food. The Corporation recognizes the donated food in the period in which they are received and distributed. In 2019, management estimates that approximately 3,716,527 pounds of food (2018 – 3,611,447) were received and donated. Based on the valuation, the total amount received and donated during the year was \$9,662,970 (2018 - \$9,389,762).

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. Methods and rates are:

Computers
3 years straight-line basis

Refrigeration equipment
10 years straight-line basis

Furniture and equipment
5 years straight-line basis

Leasehold improvements
5 years straight-line basis

Vehicles
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, 2019

9

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 credit risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation.

The Corporation is subject to credit risk. To mitigate this, the Corporation actively manages and monitors its receivables. Bad debt experience has not been significant.

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

10

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2019

4. Property, plant and equipment

	2019		2018	
	Cost	Accumulated amortization	Net	Net
Computers	\$ 4,500	125	4,375	-
Furniture and equipment	35,484	11,820	23,664	14,667
Vehicles	565,227	327,130	238,097	329,151
Refrigeration equipment	118,850	107,772	11,078	22,938
Leasehold improvements	66,616	63,804	2,812	6,861
	<u>\$ 790,677</u>	<u>510,651</u>	<u>280,026</u>	<u>373,617</u>

Amortization recorded during the year amounted to \$112,770 (2018 - \$86,480).

During the year, property, plant and equipment were acquired at an aggregate cost of \$19,179 (2018 - \$8,231), of which \$19,179 was for cash and \$Nil (2018 - \$299,600) was from contributions received.

5. Deferred contributions

	The Regional Municipality of Halton	Other grants	Total 2019	Total 2018
Balance, beginning of year	\$ 52,839	256,201	309,040	489,666
Contributions received	156,018	555,811	711,829	596,775
Utilized for capital purchases	-	-	-	(279,800)
Donor designated expenditures	(170,478)	(423,669)	(594,147)	(497,601)
Balance, end of year	<u>\$ 38,379</u>	<u>388,343</u>	<u>426,722</u>	<u>309,040</u>

6. 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:

	2019	2018
Balance, beginning of year	\$ 360,612	144,577
Contributions received	-	299,600
Amount amortized to revenue	(107,639)	(83,565)
Balance, end of year	<u>\$ 252,973</u>	<u>360,612</u>



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2019

7. Operating lease commitments

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

2020		
2021	\$	51,800
2022		51,800
2023		51,800
		<u>17,500</u>
	\$	<u>172,900</u>

8. Transfers

Transfers represent reallocations within the fund balances of the Corporation. Transfers between the unrestricted fund and amounts invested in property, plant and equipment are based on the discretion of the Board of Directors in order to purchase property, plant and equipment. Transfer 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 off set a shortfall in operations.

9. 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.

10. 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.

11. Subsequent event

Subsequent to year end, the Corporation entered into loan agreements with the Oakville Community Foundation and Hamilton Community Foundation. These agreements support open loans up to \$75,000 and \$125,000, respectively, at 3.5% per annum, are unsecured and maturing in December 2024. The purpose of these loans is to support future capital expenditures at the discretion of the Board of Directors, and as dictated by the cash flow requirements of the Corporation. No funds have been borrowed under either agreement.

