

**FOOD FOR LIFE CANADA
CHARITABLE CORPORATION**

FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2020

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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, 2020, 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, 2020, 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 and incurs expenses 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 expenses 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, 2020 and September 30, 2019.

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.



GLENN • GRAYDON • WRIGHT LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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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
February 18, 2021

JOHN R. NUNNIKHOVEN, CPA, CA

CHRISTOPHER TAYLOR, CPA, CA

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FOOD FOR LIFE CANADA CHARITABLE CORPORATION
(Incorporated without share capital)
Statement of financial position
As at September 30, 2020

	2020	2019
Assets (Note 7)		
Current assets		
Cash and cash equivalents	\$ 1,063,341	552,441
Accounts receivable	82,887	44,068
Prepaid expenses	44,992	50,906
	1,191,220	647,415
Property, plant and equipment (Note 4)	761,493	280,026
	\$ 1,952,713	927,441
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 108,551	26,156
Deferred contributions (Note 5)	252,604	426,722
Current portion of long-term debt (Note 7)	38,124	-
	399,279	452,878
Deferred contributions related to property, plant and equipment (Note 6)	550,611	252,973
Long-term liabilities		
Long-term debt (Note 7)	134,028	-
	1,083,918	705,851
Net assets		
Invested in property, plant and equipment	255,883	72,054
Internally restricted	125,000	125,000
Unrestricted	487,912	24,536
	868,795	221,590
	\$ 1,952,713	927,441

Approved by the Board

Simon Liu
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, 2020

	Invested in property, plant and equipment	Stabilization fund internally restricted	Unrestricted	Total 2020	Total 2019
Fund balances , beginning of year	\$ 72,054	125,000	24,536	221,590	122,717
Excess of revenue over expenditure for year	(41,213)	-	688,418	647,205	98,873
Net transfer of property, plant and equipment	225,042	-	(225,042)	-	-
Fund balances , end of the year	\$ 255,883	125,000	487,912	868,795	221,590



FOOD FOR LIFE CANADA CHARITABLE CORPORATION
(Incorporated without share capital)
Statement of operations
For the year ended September 30, 2020

	2020	2019
Revenue		
Amortization of deferred contributions (Note 6)	\$ 140,078	107,639
Value of donated food – received	8,947,330	9,662,970
Donations and fundraising	1,068,805	427,219
The Regional Municipality of Halton grant	265,007	170,478
Other grants	621,730	353,113
Other income	130,038	48,521
United Way	158,898	95,830
	11,331,886	10,865,770
Expenditure		
Administration	64,582	27,346
Amortization	179,794	112,770
Value of donated food - distributed and shared	8,118,349	9,662,970
Value of donated food – inedible food diverted	43,914	-
Value of donated food – directed to landfill	785,067	-
Fundraising	37,898	25,628
Insurance	5,567	5,441
Interest on long-term debt	4,853	-
Other agencies' support	818	6,250
Professional fees	39,835	26,989
Promotion	86,272	39,434
Purchase for food	113,169	
Salaries, benefits and contracts	910,858	684,513
Telephone	8,000	8,067
Travel and conferences	5,805	7,922
Utilities	12,234	12,883
Vehicle operating costs	72,863	55,897
Warehouse rental	103,606	55,344
Warehousing and supplies	89,700	35,443
	10,683,184	10,766,897
Excess of revenue over expenditure, before other	648,702	98,873
Other		
Loss on disposal of property, plant and equipment	1,497	-
Excess of revenue over expenditure for year	\$ 647,205	98,873



FOOD FOR LIFE CANADA CHARITABLE CORPORATION
(Incorporated without share capital)
Statement of cash flows
For the year ended September 30, 2020

	2020	2019
Cash flows from (used in) operating activities		
Excess of revenue over expenditure for year	\$ 647,205	98,873
Amortization of deferred contributions	(140,078)	(107,639)
Adjustments for		
Amortization of property, plant and equipment	179,794	112,770
Loss on disposal of property, plant and equipment	1,497	-
	688,418	104,004
Changes in non-cash working capital		
(Increase) decrease in accounts receivable	(38,819)	33,281
Decrease (increase) in prepaid expenses	5,914	(44,295)
Increase in accounts payable and accrued liabilities	82,395	60
(Decrease) increase in deferred contributions	(174,118)	117,682
Cash flows from operating activities	563,790	210,732
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	(667,258)	(19,179)
Proceeds on disposal of property, plant and equipment	4,500	-
Cash flows used in investing activities	(662,758)	(19,179)
Cash flows from (used in) financing activities		
Deferred contributions related to property, plant and equipment	437,716	-
Proceeds from long-term debt	200,000	-
Repayment of long-term debt	(27,848)	-
Cash flows from financing activities	609,868	-
Net increase in cash and cash equivalents during year	510,900	191,553
Cash and cash equivalents, beginning of year	552,441	360,888
Cash and cash equivalents, end of year	\$ 1,063,341	552,441



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2020

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, 2020

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 2020, management estimates that approximately 3,429,502 pounds of food (2019 – 3,716,527) were received and donated. The organization also received \$30,625 of gift cards for the specific purpose of purchasing and distributing food. Based on these valuations, the total amount received and donated during the year was \$8,947,330 (2019 - \$9,662,970).

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, 2020**

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 and credit risk.

i) Interest rate risk

The Corporation's long-term debt bears 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 debt.

ii) 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

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2020

4. Property, plant and equipment

		2020		2019	
		Cost	Accumulated amortization	Net	Net
Computers	\$	5,861	1,814	4,047	4,375
Furniture and equipment		264,677	50,376	214,301	23,664
Vehicles		790,579	426,936	363,643	238,097
Refrigeration equipment		133,463	115,748	17,715	11,078
Leasehold improvements		256,642	94,855	161,787	2,812
	\$	<u>1,451,222</u>	<u>689,729</u>	<u>761,493</u>	<u>280,026</u>

Amortization recorded during the year amounted to \$179,794 (2019 - \$112,770).

During the year, property, plant and equipment were acquired at an aggregate cost of \$667,258 (2019 - \$19,179), of which \$229,542 was for cash and \$437,716 (2019 - \$Nil) was from contributions received.

During the year, property, plant and equipment were disposed of for cash proceeds of \$4,500.

5. Deferred contributions

		The		Total 2020	Total 2019
		Regional Municipality of Halton	Other grants		
Balance, beginning of year	\$	38,379	388,343	426,722	309,040
Contributions received		227,424	875,412	1,102,836	711,829
Utilized for capital purchases		-	(437,716)	(437,716)	-
Donor designated expenditures		(227,174)	(612,064)	(839,238)	(594,147)
Balance, end of year	\$	<u>38,629</u>	<u>213,975</u>	<u>252,604</u>	<u>426,722</u>



FOOD FOR LIFE CANADA CHARITABLE CORPORATION
(Incorporated without share capital)
Notes to financial statements
As at September 30, 2020

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:

	2020	2019
Balance, beginning of year	\$ 252,973	360,612
Contributions received	437,716	-
Amount amortized to revenue	<u>(140,078)</u>	<u>(107,639)</u>
Balance, end of year	\$ <u>550,611</u>	<u>252,973</u>

7. Long-term debt

Loan bearing interest at 3.5% per annum, repayable in monthly blended payments of \$2,271 to January 2025, secured by a general security agreement covering all assets of the organization, an assignment of adequate all perils insurance, and a collateral security sharing agreement

	2020
	\$ 107,595

Loan bearing interest at 3.5% per annum, repayable in monthly blended payments of \$1,363 to January 2025, secured by a general security agreement covering all assets of the organization, an assignment of adequate all perils insurance, and a collateral security sharing agreement

	<u>64,557</u>
	172,152
Less current portion	<u>38,124</u>
	\$ <u>134,028</u>

Interest expense related to long-term debt amounted to \$4,853 during the year.

Principal repayments required during future fiscal years are:

2021	\$ 38,124
2022	39,757
2023	40,997
2024	42,428
2025	<u>10,846</u>
	\$ <u>172,152</u>



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at September 30, 2020

8. Operating lease commitments

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

2020	\$ 29,000
2021	119,900
2022	122,700
2023	139,000
2024	<u>150,300</u>
	<u>\$ 560,900</u>

9. 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 offset a shortfall in operations.

10. 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.

11. 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. Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Corporation in future periods.

