

**FOOD FOR LIFE CANADA
CHARITABLE CORPORATION**

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 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 December 31, 2020, and the statements of changes in net assets, operations, and cash flows for the period October 1, 2020 to December 31, 2020, 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 December 31, 2020, and its results of operations and its cash flows for the period 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 period ended December 31, 2020 and the year ended September 30, 2020.

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
June 23, 2021

FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of financial position

As at December 31, 2020

(With comparative figures as at September 30, 2020)

	December 31 2020	September 30 2020
Assets (Note 7)		
Current assets		
Cash and cash equivalents	\$ 1,466,643	1,063,341
Accounts receivable	58,706	82,887
Prepaid expenses	4,553	44,992
	1,529,902	1,191,220
Property, plant and equipment (Note 4)	1,146,680	761,493
	\$ 2,676,582	1,952,713
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 249,938	108,551
Deferred contributions (Note 5)	489,550	252,604
Current portion of long-term debt (Note 7)	38,424	38,124
	777,912	399,279
Deferred contributions related to property, plant and equipment (Note 6)	1,058,904	550,611
Long-term liabilities		
Long-term debt (Note 7)	124,296	134,028
	1,961,112	1,083,918
Net assets		
Invested in property, plant and equipment	87,777	255,883
Internally restricted	125,000	125,000
Unrestricted	502,693	487,912
	715,470	868,795
	\$ 2,676,582	1,952,713

Approved by the Board

Robert Fowlie
Director and Treasurer

Paul Keery
Chair of the Board of Directors



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of changes in net assets

For the period October 1, 2020 to December 31, 2020

(With comparative figures for the year ended September 30, 2020)

	Invested in property, plant and equipment	Stabilization fund internally restricted	Unrestricted	December 31 2020	September 30 2020
Fund balances, beginning of period period/year	\$ 255,883	125,000	487,912	868,795	221,590
Excess of (expenditure over revenue) revenue over expenditure for period/year	(13,127)	-	(140,198)	(153,325)	647,205
Net transfer of property, plant and equipment	(154,979)	-	154,979	-	-
	\$ 87,777	125,000	502,693	715,470	868,795



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of operations

For the period October 1, 2020 to December 31, 2020

(With comparative figures for the year ended September 30, 2020)

	December 31 2020	September 30 2020
Revenue		
Amortization of deferred contributions (Note 6)	\$ 39,307	140,078
Value of donated food – received	3,111,313	8,947,330
Donations and fundraising	259,090	1,068,805
The Regional Municipality of Halton grant	67,004	265,007
Other grants	117,753	621,730
Other income	3,672	130,038
United Way	37,472	158,898
	3,635,611	11,331,886
Expenditure		
Administration	48,103	64,582
Amortization	52,434	179,794
Value of donated food – distributed and shared	2,886,189	8,118,349
Value of donated food – inedible food diverted	31,200	43,914
Value of donated food – directed to landfill	193,924	785,067
Fundraising	17,328	37,898
Insurance	1,410	5,567
Interest on long-term debt	1,468	4,853
Other agencies' support	11,409	818
Professional fees	11,872	39,835
Promotion	40,734	86,272
Purchase for food	29,375	113,169
Salaries, benefits and contracts	343,843	910,858
Telephone	2,174	8,000
Travel and conferences	45	5,805
Utilities	6,633	12,234
Vehicle operating costs	30,657	72,863
Warehouse rental	49,032	103,606
Warehousing and supplies	31,106	89,700
	3,788,936	10,683,184
Excess of (expenditure over revenue)		
revenue over expenditure, before other	(153,325)	648,702
Other		
Loss on disposal of property, plant and equipment	-	1,497
Excess of (expenditure over revenue)		
revenue over expenditure for period/year	\$ (153,325)	647,205



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Statement of cash flows

For the period October 1, 2020 to December 31, 2020

(With comparative figures for the year ended September 30, 2020)

	December 31 2020	September 30 2020
Cash flows from (used in) operating activities		
Excess of (expenditure over revenue)		
revenue over expenditure for period/year	\$ (153,325)	647,205
Amortization of deferred contributions	(39,307)	(140,078)
Adjustments for		
Amortization of property, plant and equipment	52,434	179,794
Loss on disposal of property, plant and equipment	-	1,497
	(140,198)	688,418
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	24,181	(38,819)
Decrease in prepaid expenses	40,439	5,914
Increase in accounts payable and accrued liabilities	141,387	82,395
Increase (decrease) in deferred contributions	236,946	(174,118)
Cash flows from operating activities	302,755	563,790
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	(437,621)	(667,258)
Proceeds on disposal of property, plant and equipment	-	4,500
Cash flows used in investing activities	(437,621)	(662,758)
Cash flows from (used in) financing activities		
Deferred contributions related to property, plant and equipment	547,600	437,716
Proceeds from long-term debt	-	200,000
Repayment of long-term debt	(9,432)	(27,848)
Cash flows from financing activities	538,168	609,868
Net increase in cash and cash equivalents during period/year	403,302	510,900
Cash and cash equivalents, beginning of period/year	1,063,341	552,441
Cash and cash equivalents, end of period/year	\$ 1,466,643	1,063,341



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at December 31, 2020

(With comparative figures 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 December 31, 2020

(With comparative figures 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 the period October 31, 2020 to December 31, 2020, management estimates that approximately 1,196,659 pounds of food (2020 – 3,429,502) were received and donated. Based on these valuations, the total amount received and donated during the period was \$3,111,313 (2020 - \$8,947,330).

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 December 31, 2020

(With comparative figures 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

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Notes to financial statements

As at December 31, 2020

(With comparative figures as at September 30, 2020)

4. Property, plant and equipment

	December 31 2020		September 30 2020	
	Cost	Accumulated amortization	Net	Net
Computers	\$ 5,861	2,302	3,559	4,047
Furniture and equipment	303,142	63,879	239,263	214,301
Vehicles	849,565	454,092	395,473	363,643
Refrigeration equipment	142,307	117,273	25,034	17,715
Leasehold improvements	587,968	104,617	483,351	161,787
	<u>\$ 1,888,843</u>	<u>742,163</u>	<u>1,146,680</u>	<u>761,493</u>

Amortization recorded during the period amounted to \$52,434 (September 30, 2020 - \$179,794).

During the period, property, plant and equipment were acquired at an aggregate cost of \$437,621 (September 30, 2020 - \$667,258) from contributions received.

5. Deferred contributions

	The Regional Municipality of Halton	Other grants	December 31 2020	September 30 2020
Balance, beginning of period/year	\$ 38,629	213,975	252,604	426,722
Contributions received	77,259	940,856	1,018,115	1,102,836
Utilized for capital purchases	-	(547,600)	(547,600)	(437,716)
Donor designated expenditures	(38,629)	(194,940)	(233,569)	(839,238)
Balance, end of period/year	<u>\$ 77,259</u>	<u>412,291</u>	<u>489,550</u>	<u>252,604</u>



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at December 31, 2020

(With comparative figures 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 period are as follows:

	December 31 2020	September 30 2020
Balance, beginning of period/year	\$ 550,611	252,973
Contributions received	547,600	437,716
Amount amortized to revenue	(39,307)	(140,078)
Balance, end of period/year	<u>\$ 1,058,904</u>	<u>550,611</u>

7. Long-term debt

	December 31 2020	September 30 2020
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 Corporation, an assignment of adequate all perils insurance, and a collateral security sharing agreement	\$ 101,700	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 Corporation, an assignment of adequate all perils insurance, and a collateral security sharing agreement	<u>61,020</u>	<u>64,557</u>
	162,720	172,152
Less current portion	<u>38,424</u>	<u>38,124</u>
	<u>\$ 124,296</u>	<u>134,028</u>

Interest expense related to long-term debt amounted to \$1,468 during the period.

Principal repayments required during future fiscal years are:

2021	\$ 38,424
2022	40,136
2023	41,354
2024	<u>42,806</u>
	<u>\$ 162,720</u>



FOOD FOR LIFE CANADA CHARITABLE CORPORATION

(Incorporated without share capital)

Notes to financial statements

As at December 31, 2020

(With comparative figures 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:

2021	\$	119,900
2022		122,700
2023		139,000
2024		<u>150,300</u>
	\$	<u>531,900</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.

