

FOOD4KIDS HAMILTON HALTON

FINANCIAL STATEMENTS

AUGUST 31, 2018



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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Food4Kids Hamilton Halton

We have audited the accompanying financial statements of Food4Kids Hamilton Halton, which comprise the statement of financial position as at August 31, 2018, 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.

Auditor's 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 auditor's 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 auditor considers internal control relevant to the Organization'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 Organization'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 derives revenue from donations and fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we are not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expenditures and cash flows from operations for the year ended August 31, 2018, current assets at August 31, 2018 and net assets at August 31, 2018 and September 1, 2017.

INDEPENDENT AUDITOR'S REPORT (Continued)

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Food4Kids Hamilton Halton as at August 31, 2018 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.

Paylor Leibow LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Hamilton, Ontario
December 20, 2018

FOOD4KIDS HAMILTON HALTON**STATEMENT OF FINANCIAL POSITION***As at August 31*

	2018	2017
	\$	\$
ASSETS		
CURRENT		
Cash	502,895	384,415
Short term investments (Note 3)	51,050	211,063
HST receivable	18,292	15,608
Prepaid expenses	33,548	17,617
Loan receivable	2,000	-
	607,785	628,703
LONG TERM INVESTMENT (Note 4)	213,701	50,000
CAPITAL ASSETS (Note 5)	8,455	12,293
	829,941	690,996
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	14,744	35,755
Deferred contributions (Note 6)	86,591	126,831
	101,335	162,586
UNRESTRICTED NET ASSETS	728,606	528,410
	829,941	690,996

(See accompanying Notes to Financial Statements)

ON BEHALF OF THE BOARD:

_____ **Director**

_____ **Director**

FOOD4KIDS HAMILTON HALTON**STATEMENT OF CHANGES IN NET ASSETS**

	<i>Year ended August 31</i>	
	2018	2017
	\$	\$
NET ASSETS, BEGINNING OF YEAR	528,410	431,475
EXCESS OF REVENUES OVER EXPENDITURES	200,196	96,935
NET ASSETS, END OF YEAR	728,606	528,410

(See accompanying Notes to Financial Statements)

FOOD4KIDS HAMILTON HALTON**STATEMENT OF OPERATIONS**

	<i>Year ended August 31</i>	
	2018	2017
	\$	\$
REVENUES		
Donations	640,469	629,554
Grants	160,197	130,368
In-kind food donations	99,500	109,141
Fundraising	382,316	301,736
Interest income	3,717	4,193
	1,286,199	1,174,992
EXPENDITURES		
Amortization	3,838	5,353
Bank charges and interest	2,299	5,038
Fundraising	30,204	34,135
In-kind food costs	100,040	109,141
Insurance	3,421	3,732
Meetings	905	13,421
Office and general	23,973	41,186
Professional fees	31,687	32,445
Program costs	513,294	478,650
Promotion	21,442	20,063
Rent	37,400	37,550
Repairs and maintenance	-	3,844
Telephone and utilities	10,564	6,063
Travel	12,448	13,561
Wages and benefits	294,488	273,875
	1,086,003	1,078,057
EXCESS OF REVENUES OVER EXPENDITURES	200,196	96,935

(See accompanying Notes to Financial Statements)

FOOD4KIDS HAMILTON HALTON
STATEMENT OF CASH FLOWS

	<i>Year ended August 31</i>	
	2018	2017
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenditures	200,196	96,935
Item not involving cash		
Amortization	3,838	5,353
	204,034	102,288
Changes in non-cash working capital (Note 7)	(81,866)	29,534
	122,168	131,822
FINANCING ACTIVITIES		
	-	-
INVESTING ACTIVITIES		
Decrease (increase) in short term investments	160,013	(3,913)
Increase in long term investments	(163,701)	(50,000)
	(3,688)	(53,913)
INCREASE IN CASH	118,480	77,909
CASH, BEGINNING OF YEAR	384,415	306,506
CASH, END OF YEAR	502,895	384,415

(See accompanying Notes to Financial Statements)

1. PURPOSE OF ORGANIZATION

The purpose of this organization is to provide packages of healthy food to elementary school students, kids aged 5-14 years, from at risk, low-income or disadvantaged homes with limited or no access to food each weekend.

Food4Kids Hamilton Halton is incorporated, without share capital, under the Ontario Business Corporations Act as a not-for-profit organization and is a Canadian registered charity under the Income Tax Act and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

FINANCIAL INSTRUMENTS*Measurement of financial instruments*

The Organization initially measures its financial assets and financial liabilities at 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 attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short term investments and long term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

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 excess of revenues over expenditures. The write down reflects the difference between the carrying amount and the higher of:

- ◆ the present value of the cash flows expected to be generated by the asset or group of assets;
- ◆ the amount that could be realized by selling the assets or group of assets;
- ◆ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in excess of revenue over expenditures up to the amount of the previously recognized impairment.

NOTES TO FINANCIAL STATEMENTS*Year ended August 31, 2018*

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**CAPITAL ASSETS**

Capital assets are recorded at cost. An impairment loss is recognized when an asset no longer has any long-term service potential to the Organization. The Organization provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Building improvements	5 years Straight-line
Computers	55% Diminishing balance
Vehicle	30% Diminishing balance

REVENUE RECOGNITION

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related 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.

CONTRIBUTED SERVICES AND MATERIALS

Volunteers contribute their time during the year to assist Food4Kids Hamilton Halton in carrying out its service delivery activities. However, because of the difficulty of determining the exact number of volunteer hours and their fair value, contributed services are not recognized in the financial statements.

Contributed materials such as donated food supplies and promotion services used in the normal course of operations that would have been purchased are recorded as in-kind food and promotion donations at their fair value at the date of contribution.

USE OF ESTIMATES

The preparation of 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. SHORT TERM INVESTMENTS

The balance at year end is comprised of one guaranteed investment certificate with an interest rate of 2.10% maturing on May 31, 2019.

4. LONG TERM INVESTMENT

The balance at year end is comprised of four guaranteed investment certificates each with an interest rate of 2.65% maturing on May 14, 2020.

NOTES TO FINANCIAL STATEMENTS

Year ended August 31, 2018

5. CAPITAL ASSETS

			2018	2017
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Building improvements	2,277	1,593	684	1,139
Computers	1,001	935	66	147
Vehicle	18,500	10,795	7,705	11,007
	21,778	13,323	8,455	12,293

6. DEFERRED CONTRIBUTIONS

Deferred contributions represents unspent resources externally restricted for specific purposes that were received in the current year or prior year that were not spent by year end. The changes in deferred contributions are as follows:

	2018	2017
	\$	\$
Beginning balance	126,831	112,064
Add: Amounts received during the year	86,591	126,831
Less: Amounts spent during the year	(126,831)	(112,064)
Ending balance	86,591	126,831

7. CHANGES IN NON-CASH WORKING CAPITAL

	2018	2017
	\$	\$
HST receivable	(2,684)	(1,675)
Prepaid expenses	(15,931)	(10,467)
Loan receivable	(2,000)	-
Accounts payable and accrued liabilities	(21,011)	26,909
Deferred contributions	(40,240)	14,767
	(81,866)	29,534

NOTES TO FINANCIAL STATEMENTS*Year ended August 31, 2018*

8. COMMITMENTS

At August 31, 2018, future payments in respect of all operating leases were as follows:

	\$
2019	36,600
2020	37,300
2021	38,000
2022	6,400
	<hr/> 118,300 <hr/>

9. SUBSEQUENT EVENTS

Subsequent to the year end, the entity will separate into two separate organizations effective September 1, 2018. One will be for the Region of Hamilton and the other for the Region of Halton, each with their own separate board of directors. The Membership and regulatory approval has been obtained.