

FOOD4KIDS HAMILTON

FINANCIAL STATEMENTS

AUGUST 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Directors of
Food4Kids Hamilton

Qualified Opinion

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

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 Organization as at August 31, 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 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 years ended August 31, 2020 and 2019, current assets at August 31, 2020 and 2019 and net assets as at September 1, 2019 and August 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended August 31, 2019 was modified accordingly because of the possible effects of this limitation scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT (Continued)

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

Paylor Leibow LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Hamilton, Ontario
January 18, 2021

FOOD4KIDS HAMILTON**STATEMENT OF FINANCIAL POSITION**

	<i>As at August 31</i>	
	2020	2019
	\$	\$
ASSETS		
CURRENT		
Cash	619,048	501,641
Short term investments (Note 4)	378,328	219,364
HST receivable	26,598	16,921
Prepaid expenses	180,150	4,377
	1,204,124	742,303
LONG TERM INVESTMENT	-	51,852
CAPITAL ASSETS (Note 5)	10,934	12,379
	1,215,058	806,534
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	18,560	18,999
Deferred contributions (Note 6)	-	64,000
	18,560	82,999
UNRESTRICTED NET ASSETS	1,196,498	723,535
	1,215,058	806,534

(See accompanying Notes to Financial Statements)

ON BEHALF OF THE BOARD:

_____ **Director**

_____ **Director**

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

	<i>Year ended August 31</i>	
	2020	2019
	\$	\$
NET ASSETS, BEGINNING OF YEAR	723,535	728,606
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	472,963	(5,071)
NET ASSETS, END OF YEAR	1,196,498	723,535

(See accompanying Notes to Financial Statements)

FOOD4KIDS HAMILTON**STATEMENT OF OPERATIONS**

	<i>Year ended August 31</i>	
	2020	2019
	\$	\$
REVENUES		
Donations	763,998	551,653
Grants	232,375	49,540
In-kind food donations	89,106	46,279
Fundraising	372,583	279,547
Interest income	7,156	6,505
	1,465,218	933,524
EXPENDITURES		
Amortization	4,343	4,485
Bank charges and interest	1,910	4,889
Fundraising	9,364	18,743
In-kind food costs	89,106	46,279
Insurance	3,334	3,027
Office and general	19,183	6,065
Professional fees	15,983	23,848
Program costs	581,381	444,938
Promotion	4,026	15,548
Rent	38,790	37,965
Repairs and maintenance	442	8,024
Telephone and utilities	4,415	5,882
Travel	2,483	4,117
Wages and benefits	217,495	224,785
	992,255	848,595
EXCESS OF REVENUES OVER EXPENDITURES BEFORE DISCONTINUED OPERATIONS	472,963	84,929
DISCONTINUED OPERATIONS	-	(90,000)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	472,963	(5,071)

(See accompanying Notes to Financial Statements)

FOOD4KIDS HAMILTON**STATEMENT OF CASH FLOWS**

	<i>Year ended August 31</i>	
	2020	2019
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	472,963	(5,071)
Item not involving cash		
Amortization	4,343	4,485
	477,306	(586)
Changes in non-cash working capital (Note 7)	(249,889)	14,206
	227,417	13,620
FINANCING ACTIVITIES	-	-
INVESTING ACTIVITIES		
Increase in short term investments	(158,964)	(168,314)
Decrease in long term investments	51,852	161,849
Purchase of capital assets	(2,898)	(8,409)
	(110,010)	(14,874)
INCREASE (DECREASE) IN CASH	117,407	(1,254)
CASH, BEGINNING OF YEAR	501,641	502,895
CASH, END OF YEAR	619,048	501,641

(See accompanying Notes to Financial Statements)

NOTES TO FINANCIAL STATEMENTS*Year ended August 31, 2020*

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 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. COVID-19

The recent outbreak of the Coronavirus Disease 2019 ("COVID-19") has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that we or our donors and suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on our organization, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact our organization, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts our results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

3. 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:

NOTES TO FINANCIAL STATEMENTS*Year ended August 31, 2020*

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**FINANCIAL INSTRUMENTS (Continued)**

- ♦ 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.

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 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.

NOTES TO FINANCIAL STATEMENTS

Year ended August 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. SHORT TERM INVESTMENTS

The balance at year end is comprised of the following guaranteed investment certificates:

	2020 \$
GIC #43, bearing interest at 2.05%, maturing November 30, 2020	53,191
GIC #48, bearing interest at 2.00%, maturing August 15, 2021	56,263
GIC #49, bearing interest at 2.00%, maturing August 15, 2021	56,263
GIC #50, bearing interest at 2.00%, maturing August 15, 2021	56,263
GIC #51, bearing interest at 2.00%, maturing August 15, 2021	56,263
GIC #52, bearing interest at 1.00%, maturing July 31, 2021	100,085
	378,328

5. CAPITAL ASSETS

			2020	2019
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Building improvements	10,686	5,641	5,045	6,956
Computers	3,899	1,785	2,114	30
Vehicle	18,500	14,725	3,775	5,393
	33,085	22,151	10,934	12,379

NOTES TO FINANCIAL STATEMENTS

Year ended August 31, 2020

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:

	2020 \$	2019 \$
Beginning balance	64,000	86,591
Add: Amounts received during the year	-	64,000
Less: Amounts spent during the year	(64,000)	(86,591)
Ending balance	-	64,000

7. CHANGES IN NON-CASH WORKING CAPITAL

	2020 \$	2019 \$
HST receivable	(9,677)	1,371
Prepaid expenses	(175,773)	29,171
Loan receivable	-	2,000
Accounts payable and accrued liabilities	(439)	4,255
Deferred contributions	(64,000)	(22,591)
	(249,889)	14,206

8. COMMITMENTS

At August 31, 2020, future payments in respect of all operating leases were as follows:

	\$
2021	38,000
2022	6,400
	44,400