

North York Harvest Food Bank

Financial Statements

August 31, 2018



February 25, 2019

Independent Auditor's Report

To the Directors of North York Harvest Food Bank

We have audited the accompanying financial statements of North York Harvest Food Bank, which comprise the statement of financial position as at August 31, 2018 and the statements of operations and changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 entity'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 entity'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.

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Basis for qualified opinion

In common with many not-for-profit organizations, North York Harvest Food Bank derives revenues from individual, community and special event donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of North York Harvest Food Bank. Therefore, we were not able to determine whether any adjustments might be necessary to individual, community and special event donation revenues, (deficiency) excess of revenues over expenditures and cash flows from operations for the years ended August 31, 2018 and August 31, 2017, current assets as at August 31, 2018 and August 31, 2017 and net assets as at the beginning and the end of the years ended August 31, 2018 and August 31, 2017. Our audit opinion on the financial statements for the year ended August 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of North York Harvest Food Bank 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

North York Harvest Food Bank

Statement of Financial Position

As at August 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash (note 9)	389,141	381,389
Short-term investments (note 3)	100,000	259,947
Accounts receivable	32,631	56,686
Prepaid expenses	34,514	21,798
	<u>556,286</u>	<u>719,820</u>
Property and equipment (note 4)	<u>275,433</u>	<u>314,998</u>
	<u>831,719</u>	<u>1,034,818</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	144,285	121,582
Obligation under capital lease (note 7)	3,596	3,755
Deferred grants (note 5)	155,080	135,019
	<u>302,961</u>	<u>260,356</u>
Obligation under capital lease (note 7)	14,260	2,640
Deferred capital contributions (note 6)	<u>239,476</u>	<u>288,412</u>
	556,697	551,408
Net Assets		
Unrestricted	<u>275,022</u>	<u>483,410</u>
	<u>831,719</u>	<u>1,034,818</u>
Commitments (note 11)		

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements.

North York Harvest Food Bank
Statement of Operations and Changes in Net Assets
For the year ended August 31, 2018

	2018	2017
	\$	\$
Revenues		
Individual donations (note 5)	595,407	618,014
Foundation donations (notes 5 and 6)	566,193	483,702
Corporate donations (note 5)	212,521	249,097
Services	177,427	137,590
Community donations (note 5)	163,573	144,461
Government (note 5)	108,147	97,889
Interest and other income (note 6)	55,294	38,772
Special event donations (notes 5 and 6)	80,154	129,989
Collective purchases	29,528	16,675
Wage subsidies	6,309	20,802
	<hr/>	<hr/>
	1,994,553	1,936,991
Expenditures (note 8)		
Food distribution program	1,004,733	784,084
Community programs	668,337	481,212
Fundraising	395,480	446,488
Administration	134,391	139,630
	<hr/>	<hr/>
	2,202,941	1,851,414
(Deficiency) excess of revenues over expenditures for the year	(208,388)	85,577
Net assets - Beginning of year	<hr/>	<hr/>
	483,410	397,833
Net assets - End of year	<hr/>	<hr/>
	275,022	483,410

The accompanying notes are an integral part of these financial statements.

North York Harvest Food Bank

Statement of Cash Flows

For the year ended August 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenues over expenditures for the year	(208,388)	85,577
Items not affecting cash		
Amortization of property and equipment	55,020	65,079
Amortization of deferred capital contributions	(48,936)	(60,561)
	(202,304)	90,095
Change in non-cash working capital		
Accounts receivable	24,055	(12,069)
Prepaid expenses	(12,716)	(2,783)
Accounts payable and accrued liabilities	22,703	40,420
Deferred grants	20,061	38,684
	(148,201)	154,347
Investing activities		
Disposal of short-term investments	259,947	158,673
Purchase of short-term investments	(100,000)	(159,947)
Purchase of property and equipment	-	(42,717)
	159,947	(43,991)
Financing activities		
Repayment of capital lease	(3,994)	(3,524)
Deferred contributions related to property and equipment	-	25,000
	(3,994)	21,476
Increase in cash during the year	7,752	131,832
Cash - Beginning of year	381,389	249,557
Cash - End of year	389,141	381,389
Non-cash transactions		
Disposal of equipment through capital lease	(3,283)	-
Purchase of equipment through capital lease	18,738	-

The accompanying notes are an integral part of these financial statements.

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2018

1 Nature of organization

North York Harvest Food Bank (NYHFB) is a not-for-profit organization whose primary purpose is to distribute food to those in need. NYHFB is a registered charity pursuant to paragraph 149(1)(f) of the Income Tax Act (Canada) and accordingly, is exempt from income taxes.

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), Part III of the Chartered Professional Accountants of Canada Handbook as issued by the Canadian Accounting Standards Board. The significant accounting policies are outlined below.

Revenue recognition

NYHFB follows the deferral method of accounting for revenues.

Restricted grants and donations are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted grants and contributions are recognized as revenue when received or receivable and when the amount can be reasonably estimated and the ultimate collection is reasonably assured.

Fees for services are recorded on an accrual basis. These fees include services NYHFB provides on a contract basis to third parties for the delivery of prepared food and training in support of skills training programs.

Interest and other income are recorded on an accrual basis.

Wage subsidies are recognized as revenue in the year in which the related expenses are incurred.

Donated goods and services

Goods and services that have been donated are recorded in the financial statements at their fair value when a fair value can be reasonably estimated and the goods and services would be paid for if not donated. Where an estimate of fair value cannot reasonably be made, such donations would not be recorded. No value is placed on food donations received and disbursed.

A number of volunteers contribute their services to NYHFB each year. In addition, the Toronto District School Board provides space in one of its schools at no charge to NYHFB to carry out food distribution activities. Due to the difficulty in determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

North York Harvest Food Bank

Notes to Financial Statements

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Deferred grants and capital contributions

Deferred grants represent amounts received by NYHFB but not disbursed as at year-end as stipulated by the donor.

Deferred capital contributions are donations received by NYHFB for the purchases of property and equipment. They are initially deferred and are amortized to revenues at the same rate as the related purchased property and equipment.

Property and equipment

Property and equipment are initially recorded at cost if purchased or recorded at fair value if donated, less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Trucks	10 years
Computer equipment	5 years
Equipment	3 to 5 years
Leasehold improvements	term of lease

NYHFB reviews the carrying amounts of its property and equipment regularly. If the property and equipment no longer have any long-term service potential to NYHFB, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations and changes in net assets.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Investments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instrument at fair value.

Cash	fair value
Short-term investments	fair value
Accounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, NYHFB determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the present value of the expected cash flows. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of operations and changes in net assets.

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Short-term investments represent highly liquid investments, which have maturities of less than one year from the statement of financial position date.

Attribution and allocation of expenses

NYHFB engages in food distribution and community programs. The costs of each program include personnel and other expenses that are directly related to providing the programs.

For employees who perform a combination of program, fundraising and administrative activities, their salaries, benefits and all other payroll related costs are attributed based on the percentage of time dedicated to each activity.

Occupancy related costs are attributed to programs based on the percentage of the actual used area space by each function.

Some shared costs are attributed based on estimated consumption to each function.

Occupancy related costs relating to common areas, and other shared costs such as cleaning and telecommunications, are allocated based on the percentage of time dedicated by staff with workstations to program, fundraising and administrative activities.

Such allocations are reviewed annually, updated and applied on a prospective basis.

Allocations are detailed in note 8.

Leases

Leases that substantially transfer all the risks and rewards incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the capital charges and reduction of the lease liability so as to achieve a constant rate of interest. Capital charges are recognized in interest and bank charges as part of expenditures allocated to various departments in the statement of operations and changes in net assets.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expenditure allocated to the various departments in the statement of operations and changes in net assets.

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Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

3 Short-term investments

	2018 \$	2017 \$
Redeemable guaranteed investment certificate, bears interest at 0.80%, matures on December 10, 2018	100,000	-
Redeemable guaranteed investment certificate, bears interest at 0.80%, matures on June 10, 2018	-	100,000
Redeemable guaranteed investment certificate, bears interest at 1.20%, matures on February 8, 2018	-	159,947
	<hr/> 100,000	<hr/> 259,947

4 Property and equipment

	2018		
	Cost \$	Accumulated amortization \$	Net \$
Trucks	218,914	144,844	74,070
Computer equipment	6,883	3,899	2,984
Equipment	76,981	44,418	32,563
Leasehold improvements	270,394	104,578	165,816
	<hr/> 573,172	<hr/> 297,739	<hr/> 275,433
	2017		
	Cost \$	Accumulated amortization \$	Net \$
Trucks	218,914	130,110	88,804
Computer equipment	6,883	3,007	3,876
Equipment	75,566	45,691	29,875
Leasehold improvements	270,394	77,951	192,443
	<hr/> 571,757	<hr/> 256,759	<hr/> 314,998

Equipment includes a new Xerox photocopier under capital lease of \$18,738 (2017 - \$17,323), net of accumulated amortization of \$937 (2017 - \$11,260).

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5 Deferred grants

	2018 \$	2017 \$
Balance - Beginning of year	135,019	96,335
Grants received during the year	400,364	195,050
Amounts recognized as revenue in the year	(380,303)	(156,366)
	<hr/>	<hr/>
Balance - End of year	155,080	135,019
	<hr/>	<hr/>

6 Deferred capital contributions

	2018 \$	2017 \$
Balance - Beginning of year	288,412	323,973
Amounts received during the year	-	25,000
Amortization	(48,936)	(60,561)
	<hr/>	<hr/>
Balance - End of year	239,476	288,412
	<hr/>	<hr/>

7 Obligation under capital lease

During the year, NYHFB replaced a photocopier that was financed by way of capital lease. The liability recorded under the capital lease represents the future minimum lease payments net of interest. The lease has an implicit rate of 3.18% per annum. Interest expense on capital lease for the year was \$412 (2017 - \$529). NYHFB's obligation under capital lease consists of the following:

	\$
Minimum lease payments payable under finance leases	19,244
Less: Portion representing interest to be recorded over the remaining portion of the existing lease	<hr/> 1,388
	17,856
Less: Current portion	<hr/> 3,596
	<hr/> 14,260
	<hr/>

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Future minimum annual lease payments payable under the capital lease for the next five years are as follows:

	\$
2019	4,113
2020	4,113
2021	4,113
2022	4,113
2023	2,792
	<hr/>
	19,244
Less: Amount representing interest	1,388
	<hr/>
	17,856
	<hr/>

8 Allocation of expenses

Certain salaries and benefits, for employees whose job function is across different programs, and certain operational expenses, such as occupancy and other administrative expenses, have been allocated as follows:

	2018		
	Salaries and benefits \$	Operational expenses \$	Total \$
Food distribution program	157,908	55,610	213,518
Community programs	228,222	49,201	277,423
Fundraising	157,842	9,801	167,643
Administration	106,804	6,174	112,978
	<hr/>		
	650,776	120,786	771,562
	<hr/>		
	2017		
	Salaries and benefits \$	Operational expenses \$	Total \$
Food distribution program	109,638	61,685	171,323
Community programs	154,024	48,683	202,707
Fundraising	164,676	34,500	199,176
Administration	101,921	10,619	112,540
	<hr/>		
	530,259	155,487	685,746
	<hr/>		

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9 Bank indebtedness

NYHFB has an operating line of credit for \$150,000, collateralized by a general assignment of guaranteed investment certificates of NYHFB. Advances under this line of credit bear interest at the bank's prime rate plus 1.56% (2017 - prime rate plus 1.56%). As at August 31, 2018 and 2017, there were no amounts drawn under the line of credit.

10 Risk management

The main risks NYHFB's financial instruments are exposed to are credit and liquidity risks.

Credit risk

Credit risk arises from one party to a financial instrument causing a financial loss for the other party by failing to discharge an obligation. NYHFB is exposed to credit risk on accounts receivable. NYHFB's credit risk is considered to be low as accounts receivable are primarily grants and harmonized sales tax recoveries receivable from the government and accrued interest on investment.

Liquidity risk

Liquidity risk is the risk an organization will encounter difficulty in meeting obligations associated with financial liabilities. NYHFB believes it has low liquidity risk given the makeup of its accounts payable and accrued liabilities. NYHFB manages its cash flows regularly to ensure reasonably prompt liquidation of its obligations.

11 Commitments

NYHFB entered into various operating leases for premises. Future lease payments are as follows:

	\$
2019	53,238
2020	55,555
2021	56,018
2022	58,333
2023	58,333
Thereafter	<u>170,833</u>
	<u>452,310</u>

12 Government remittances

Government remittances consist of amounts such as property taxes, harmonized sales tax and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$nil (2017 - \$6,152) is included in accounts payable and accrued liabilities.

North York Harvest Food Bank

Notes to Financial Statements

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13 Comparative information

The comparative figures in note 8 have been amended to include information on expense allocations that were not disclosed in the prior year.