

North York Harvest Food Bank
Financial Statements
For the year ended August 31, 2021

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Independent Auditor's Report

To the Board of Directors of North York Harvest Food Bank

Qualified Opinion

We have audited the financial statements of North York Harvest Food Bank (the "Organization"), which comprise the statement of financial position as at August 31, 2021, and the statements of operations, changes in net assets 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 possible effects of the matters 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, 2021, 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 individual, community and special events 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 the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from individual, community and special events donations, excess of revenue over expenditures and cash flows from operations for the years ended August 31, 2021 and 2020, current assets as at August 31, 2021 and 2020, and net assets as at September 1 and August 31 for both 2020 and 2021 years. Our opinion on the financial statements for the year ended August 31, 2020 was modified accordingly because of the possible effects of this scope limitation.

In addition, the Organization purchased gift cards during 2020 that were charged to expenditures at the time of purchase which constituted a departure from Canadian accounting standards for not-for-profit organizations, as not all gift cards had been distributed by year-end and as a result would be considered assets of the Organization under section 1001, Financial statement concepts for not-for-profit organizations. We were not able to count the gift cards at August 31, 2020 or satisfy ourselves concerning the completeness, existence and accuracy of gift cards on-hand using alternative methods. Since opening prepaid expenses and deferred revenue affect the determination of the results of operations and cash flows, we were unable to determine whether any adjustments to the results of operations and cash flows might be necessary for 2021. Our audit opinion on the statement of operations and statement of cash flows for the year ended August 31, 2021 is modified accordingly because of the possible effects of this departure from Canadian accounting standards for not-for-profit organizations and our audit opinion on the statement of financial position as at August 31, 2021 is modified because of the possible effects on the comparative information.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities 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 audit 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.



Auditor's 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 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
November 23, 2021

North York Harvest Food Bank

Statement of Financial Position

August 31 **2021** 2020

Assets

Current

Cash	\$ 2,116,386	\$ 1,463,270
Short-term investments (Note 3)	199,334	200,000
Receivables	143,804	155,655
Prepaid expenses	61,211	34,643
	2,520,735	1,853,568

Capital assets (Note 4)

443,860	467,143
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\$ 2,964,595	\$ 2,320,711
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 378,914	\$ 985,859
Deferred revenue (Note 5)	1,131,007	475,770
Current portion of obligations under capital leases (Note 6)	18,429	17,531
	1,528,350	1,479,160

Obligations under capital leases (Note 6)

57,168	75,597
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Deferred capital contributions (Note 7)

306,706	311,794
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1,892,224	1,866,551
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Net assets

Contingency fund	626,000	-
Unrestricted	446,371	454,160
	1,072,371	454,160

\$ 2,964,595	\$ 2,320,711
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On behalf of the Board:



Director

Habon Ali, Board Chair



Director

Carm McCormick, Treasurer

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

North York Harvest Food Bank Statement of Operations

For the year ended August 31	2021	2020
Revenue		
Individual donations	\$ 1,213,701	\$ 1,094,002
Foundation donations	1,071,853	864,794
Government grants	598,656	475,318
Community donations	501,407	298,178
Corporate donations	449,716	302,439
COVID-19 funding from Food Banks Canada and Feed Ontario	310,582	566,498
Services	226,276	175,330
Special event donations	140,845	69,732
FoodReach	137,566	84,985
Interest and other income	101,802	127,299
Discount on gift card purchases	-	140,625
Insurance proceeds	-	60,506
Funding for food purchases	-	21,947
	4,752,404	4,281,653
Expenditures (Note 8)		
Food distribution operation	1,644,219	1,188,233
Food distribution - food and gift card purchases	344,429	1,299,637
Community food banks and programs	1,249,896	826,870
Grants to member agencies	67,328	92,171
Administration	220,341	154,753
Fundraising	493,112	473,416
FoodReach	114,868	73,769
	4,134,193	4,108,849
Excess of revenue over expenditures	\$ 618,211	\$ 172,804

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

North York Harvest Food Bank

Statement of Changes in Net Assets

For the year ended August 31

	Contingency Fund	Unrestricted	2021 Total
Net assets , beginning of year	\$ -	\$ 454,160	\$ 454,160
Excess of revenue over expenditures	-	618,211	618,211
Transfer to Contingency Fund	626,000	(626,000)	-
Net assets , end of year	\$ 626,000	\$ 446,371	\$ 1,072,371

For the year ended August 31

	Contingency Fund	Unrestricted	2020 Total
Net assets, beginning of year	\$ -	\$ 281,356	\$ 281,356
Excess of revenue over expenditures	-	172,804	172,804
Net assets, end of year	\$ -	\$ 454,160	\$ 454,160

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	2021	2020
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 618,211	\$ 172,804
Adjustments required to reconcile excess of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	81,764	74,343
Amortization of deferred capital contributions	(52,336)	(55,652)
Changes in non-cash working capital balances		
Receivables	11,851	(39,527)
Prepaid expenses	(26,568)	(1,074)
Accounts payable and accrued liabilities	(606,945)	819,860
Deferred revenue	655,237	222,813
	<u>681,214</u>	<u>1,193,567</u>
Investing activities		
Purchase of capital assets	(58,481)	(213,920)
Redemption (purchase) of short-term investments	666	(100,000)
	<u>(57,815)</u>	<u>(313,920)</u>
Financing activities		
Capital contributions received	47,248	173,555
Payments of obligations under capital leases	(17,531)	(16,678)
	<u>29,717</u>	<u>156,877</u>
Increase in cash during the year	653,116	1,036,524
Cash, beginning of year	1,463,270	426,746
Cash, end of year	\$ 2,116,386	\$ 1,463,270

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

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2021

1. Significant Accounting Policies

Nature of Organization

North York Harvest Food Bank (the "Organization") is a not-for-profit organization whose mission is to engage our community in meeting the food needs of northern Toronto by providing dignified food assistance, education, focused advocacy, and long term food solutions. The Organization is a registered charity pursuant to paragraph 149(1)(f) of the Income Tax Act (Canada) and accordingly, is exempt from income taxes.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Organization follows the deferral method of accounting for revenue. Restricted donations and grants are recognized as revenue in the year in which the related expenditures are incurred and unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fees for services and the FoodReach program are recorded on an accrual basis. Fees for Services include services the Organization provides on a contract basis to third parties for the delivery of prepared food and training in support of skills training programs. The FoodReach program is a program where bulk food purchases are made through a portal managed by the Organization. The food is delivered to the purchaser directly by the supplier.

Interest and other income is recorded on an accrual basis.

Deferred capital contributions are donations received by the Organization for the purchase of capital assets. They are initially deferred and are amortized to revenue at the same rate as the related purchased capital assets.

Donated Goods and Services and Gift Cards

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 the Organization each year. Due to the difficulty in determining their fair value, these contributed services are not recognized or disclosed in the financial statements.

Gift cards are expensed at the time of purchase.

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2021

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided at the following rates:

Trucks	- 10 years straight-line basis
Computer equipment	- 5 years straight-line basis
Equipment	- 3 to 5 years straight-line basis
Leasehold improvements	- term of lease

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, short-term investments are reported at fair value, while all other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Obligations under Capital Leases

Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is amortized on a straight-line basis over its estimated useful life. Obligations under capital leases are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases with rental payments being expensed as incurred.

Contingency Fund

The Contingency fund is an internally restricted fund that reflects amounts that are designated by the Board of Directors to support core operations for a set period of time in the event of short falls in donations and/or increase in demand for food. During the year, the Board of Directors approved a transfer of \$626,000 (2020 - \$Nil) from Unrestricted funds to the Contingency Fund.

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2021

1. Significant Accounting Policies (continued)

Attribution and Allocation of Expenses

The Organization 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 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.

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Credit Facility

The Organization has an operating line of credit for \$150,000 collateralized by a general assignment of a Guaranteed Investment Certificate of the Organization. Advances under this line of credit bear interest at the bank's prime rate plus 1.56% (2020 - prime rate plus 1.56%). As at August 31, 2021 and 2020, there were no amounts drawn under the line of credit.

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2021

3. Short-term Investments

Short-term investments consists of a cashable and a non-redeemable Guaranteed Investment Certificate that earn interest at 0.70% (2020 - 0.70% and 1.97%) and mature on December 2021 and March 2022 (2020 - December 2021 and March 2021) respectively.

4. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Trucks	\$ 492,060	\$ 246,194	\$ 492,060	\$ 200,153
Computer equipment	16,609	8,846	16,609	6,009
Equipment	114,908	79,156	120,172	72,221
Leasehold improvements	334,139	179,660	270,394	153,709
Totals	\$ 957,716	\$ 513,856	\$ 899,235	\$ 432,092
Cost, net of accumulated amortization		\$ 443,860		\$ 467,143

Trucks and equipment include assets under capital lease of \$122,539 (2020 - \$122,539), net of accumulated amortization of \$39,860 (2020 - \$25,732).

5. Deferred Revenue

	2021	2020
Balance, beginning of year	\$ 475,770	\$ 252,957
Funding received during the year	1,834,968	935,183
Funding transferred to deferred capital contributions	(47,248)	(44,407)
Amounts recognized in revenue	(1,132,483)	(667,963)
Balance, end of year	\$ 1,131,007	\$ 475,770

As at year end, there is \$441,691 (2020 - \$105,894) included in deferred revenue restricted for the COVID-19 pandemic.

North York Harvest Food Bank Notes to Financial Statements

August 31, 2021

6. Obligations under Capital Leases

	<u>2021</u>	<u>2020</u>
Equipment under capital lease, bearing interest at 3.18%, repayable in blended monthly installments of \$343, due May 2023, secured by related equipment	\$ 6,714	\$ 10,547
Truck under capital lease, bearing interest at 5.51%, repayable in blended monthly installments of \$1,429, due December 2025, secured by related truck	<u>68,883</u>	<u>82,581</u>
Balance of obligations	75,597	93,128
Less: current portion	<u>18,429</u>	<u>17,531</u>
	<u>\$ 57,168</u>	<u>\$ 75,597</u>

Future minimum lease payments consist of the following:

2022	\$ 21,937
2023	20,615
2024	17,824
2025	17,824
2026	<u>5,940</u>
Minimum lease payments	84,140
Less: imputed interest	<u>8,543</u>
Balance of obligations	75,597
Less: current portion	<u>18,429</u>
Long term portion	<u>\$ 57,168</u>

Interest expense on capital leases for the year was \$4,406 (2020 - \$5,259).

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2021

7. Deferred Capital Contributions

	2021	2020
Balance, beginning of year	\$ 311,794	\$ 193,891
Contributions received	47,248	173,555
Amounts amortized to revenue	(52,336)	(55,652)
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Balance, end of year	\$ 306,706	\$ 311,794
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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:

	Salaries and benefits	Operational expenses	2021 Total
Food distribution program	\$ 240,075	\$ 75,103	\$ 315,178
Community programs	235,542	75,302	310,844
Fundraising	110,184	12,519	122,703
Administration	88,608	22,870	111,478
	<hr/>	<hr/>	<hr/>
	\$ 674,409	\$ 185,794	\$ 860,203
	<hr/>	<hr/>	<hr/>

	Salaries and benefits	Operational expenses	2020 Total
Food distribution program	\$ 224,080	\$ 70,033	\$ 294,113
Community programs	220,079	59,941	280,020
Fundraising	89,363	26,023	115,386
Administration	100,384	10,932	111,316
	<hr/>	<hr/>	<hr/>
	\$ 633,906	\$ 166,929	\$ 800,835
	<hr/>	<hr/>	<hr/>

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2021

9. Commitments

The Organization leases a premise under an operating lease arrangement and has agreements in place for the packaging of food hampers and delivery of programs. The minimum payments under these agreements are as follows:

2022	\$	58,333
2023		58,333
2024		58,796
2025		61,111
2026		50,926
		<hr/>
	\$	287,499

10. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk on its receivables. The Organization's credit risk is considered to be low as receivables consist primarily of grants, HST receivable and accrued interest. This risk has not changed from the prior year.

11. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic which continues to spread throughout Canada and around the world. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations and sector.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the full effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity at this time.