Financial Statements of

# PARTNERS IN MISSION FOOD BANK

Year ended December 31, 2018

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Partners in Mission Food Bank

## *Qualified Opinion*

We have audited the financial statements of Partners in Mission Food Bank ("the Corporation"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of change in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the **"Basis for Qualified Opinion"** section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2018, 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 not-for-profit organizations, the Corporation derives revenue from 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 Corporation.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2018 and December 31, 2017
- the donations revenue and excess of revenue over expenses reported in the statements of operations for the years ended December 31, 2018 and December 31, 2017

- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2018 and December 31, 2017
- the excess of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2018 and December 31, 2017

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 auditors' 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 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 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.

## *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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 3, 2019

# PARTNERS IN MISSION FOOD BANK

Financial Statements

Year ended December 31, 2018

Financial Statements

# PARTNERS IN MISSION FOOD BANK

Statement of Financial Position

December 31, 2018, with comparative information for 2017

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash | $ | 329,116 | $ | 310,151 |
| Accounts receivable and accrued interest | | 63,703 | | 49,574 |
| Prepaid expenses and deposits | | 1,548 | | 1,485 |
| | | 394,367 | | 361,210 |
| Investments | | 363,285 | | 313,285 |
| Capital assets (note 3) | | 389,564 | | 387,151 |
| | $ | 1,147,216 | $ | 1,061,646 |
| **Liabilities and Net Assets** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities (note 5) | $ | 65,208 | $ | 38,557 |
| Deferred capital contributions | | 155,191 | | 165,349 |
| Net assets: | | | | |
| Unrestricted | | 311,264 | | 254,758 |
| Internally restricted - operating reserve fund | | 250,000 | | 250,000 |
| Internally restricted - capital reserve fund | | 131,180 | | 131,180 |
| Investment in capital assets (note 2) | | 234,373 | | 221,802 |
| | | 926,817 | | 857,740 |
| | $ | 1,147,216 | $ | 1,061,646 |

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Director

_______________________________ Director

# PARTNERS IN MISSION FOOD BANK
Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|---|---|
| Revenue: | | |
| Donated food (gifts-in-kind) | $ 2,633,626 | $ 2,537,320 |
| Non-receipted income | 406,408 | 412,732 |
| Donations | 296,415 | 264,403 |
| Interest | 8,808 | 3,898 |
| | 3,345,257 | 3,218,353 |
| Expenses: | | |
| Distributed food (gifts-in-kind) | 2,635,237 | 2,538,588 |
| Salaries and benefits | 361,266 | 361,763 |
| Food purchased | 166,683 | 164,402 |
| Administration | 30,656 | 50,488 |
| Other occupancy costs | 26,267 | 27,117 |
| Delivery | 17,680 | 30,477 |
| Repairs and maintenance | 10,974 | 9,168 |
| Audit fees | 5,977 | 5,769 |
| Insurance | 4,350 | 4,227 |
| Advertising | 155 | 2,519 |
| Interest charges | 14 | - |
| Education and seminars | - | 666 |
| | 3,259,259 | 3,195,184 |
| Earnings before the undernoted | 85,998 | 23,169 |
| Capital income (expense): | | |
| Amortization of deferred capital contributions | 10,158 | 10,960 |
| Amortization of capital assets | (27,079) | (28,017) |
| | (16,921) | (17,057) |
| Excess of revenue over expenses | $ 69,077 | $ 6,112 |

See accompanying notes to financial statements.

# PARTNERS IN MISSION FOOD BANK

Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

| | | Internally restricted | | | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Operating reserve fund | Capital reserve fund | Investment in capital assets | 2018 | 2017 |
| Net assets, beginning of year | $ 254,758 | $ 250,000 | $ 131,180 | $ 221,802 | $ 857,740 | $ 851,628 |
| Excess (deficiency) of revenue over expenses (note 2) | 85,998 | - | - | (16,921) | 69,077 | 6,112 |
| Net change in investment in capital assets (note 2) | (29,492) | - | - | 29,492 | - | - |
| Net assets, end of year | $ 311,264 | $ 250,000 | $ 131,180 | $ 234,373 | $ 926,817 | $ 857,740 |

See accompanying notes to financial statements.

# PARTNERS IN MISSION FOOD BANK

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | $ 69,077 | $ 6,112 |
| Items not involving cash: | | |
| Amortization of deferred capital contributions | (10,158) | (10,960) |
| Amortization of capital assets | 27,079 | 28,017 |
| Change in non-cash operating working capital: | | |
| Accounts receivable and accrued interest | (14,129) | (18,427) |
| Prepaid expenses and deposits | (63) | (1,485) |
| Accounts payable and accrued liabilities | 26,651 | (868) |
| | 98,457 | 2,389 |
| Investing activities: | | |
| Increase in investments | (50,000) | (50,000) |
| Purchase of capital assets | (29,492) | - |
| | (79,492) | (50,000) |
| Increase (decrease) in cash | 18,965 | (47,611) |
| Cash, beginning of year | 310,151 | 357,762 |
| Cash, end of year | $ 329,116 | $ 310,151 |

See accompanying notes to financial statements.

Partners in Mission Food Bank (the "Corporation") is incorporated without share capital under the laws of Ontario, by Letters Patent. The Corporation operates a community food bank and is a registered charity under the Income Tax Act (Canada). Accordingly, the Corporation is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

(a) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions, which include donations.

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 recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance basis, at a rate corresponding with the amortization rate for the related capital assets.

Investment income is recognized as revenue when earned.

(b) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Amortization is provided on the declining balance basis using the following annual rates:

| Asset | Rate |
|---|---:|
| Building | 5% |
| Vehicles | 10% to 20% |
| Equipment | 5% to 20% |
| Office furniture and computer hardware | 20% to 30% |
| Computer software | 100% |
| Building improvements | 5% to 20% |
| Outdoor equipment | 5% to 20% |

## 1. Significant accounting policies (continued):

(b) Capital assets (continued):

Construction-in-progress is not amortized until the project is complete and the facilities come into use.

(c) Gifts-in-kind:

Gifts-in-kind are recorded at their estimated fair market value as both revenue and expenses on the “Statement of Operations”, when fair market value can be reasonably estimated and when the Corporation would otherwise have required these items.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to subsequently carry any financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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, the Corporation 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 highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. 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.

## 1. Significant accounting policies (continued):

(e) Impairment of long-lived assets:

The Corporation periodically reviews the useful lives and the carrying values of its long-lived assets. The Corporation reviews for impairment long-lived asset groups whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the undiscounted future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value. When quoted market prices are not available, the Corporation uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(f) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the period. Items subject to such estimates and assumptions include the useful life of capital assets and the amount recorded for donated food and distributed food (gifts-in-kind). Actual results could differ from those estimates.

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of time each year to assist the entity in carrying out its service activities. Because of the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

## 2. Investment in capital assets:

(a) The investment in capital assets is as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Capital assets | $ | 389,564 | $ | 387,151 |
| Less: | | | | |
| Amounts financed by deferred capital contributions | | (155,191) | | (165,349) |
| | $ | 234,373 | $ | 221,802 |

(b) The change in investment in capital assets is calculated as follows:

| | | 2018 | | 2017 |
|---|---|---|---|---|
| Excess of expenses over revenue: | | | | |
| Amortization of deferred capital contributions | $ | 10,158 | $ | 10,960 |
| Amortization of capital assets | | (27,079) | | (28,017) |
| | | (16,921) | | (17,057) |
| Net change in investment in capital assets: | | | | |
| Purchase of capital assets | | 29,492 | | - |
| | | 29,492 | | - |
| | $ | 12,571 | $ | (17,057) |

## 3. Capital assets:

| | | | | |
|---|---|---|---|---|
| | | | 2018 | 2017 |
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | $ 67,252 | $ - | $ 67,252 | $ 67,252 |
| Building | 305,566 | 156,860 | 148,706 | 156,533 |
| Vehicles | 159,781 | 112,928 | 46,853 | 55,274 |
| Equipment | 69,907 | 30,089 | 39,818 | 36,350 |
| Office furniture and computer hardware | 30,600 | 27,770 | 2,830 | 3,611 |
| Computer software | 2,456 | 2,456 | - | - |
| Outdoor equipment | 67,949 | 23,626 | 44,323 | 46,832 |
| Building improvements | 68,371 | 28,589 | 39,782 | 21,299 |
| | $ 771,882 | $ 382,318 | $ 389,564 | $ 387,151 |

Cost and accumulated amortization of capital assets at December 31, 2017 amounted to $742,390 and $355,239, respectively.

## 4. Financial risks:

The Corporation manages its investment portfolio to earn investment income and invests according to a Board policy. The Corporation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Corporation believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments.

Additionally, the Corporation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. The fixed income securities yield interest between 1.70% and 2.25% and mature between February 2021 and June 2021.

## 5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $2,100 (2017 - $240), which include amounts payable for harmonized sales tax and payroll-related taxes.

## 6. Internally restricted:

The Corporation's board of directors approved the following internally restricted funds:

*Capital reserve fund:*

Funds are to be set aside for all capital projects to be undertaken.

*Operating reserve fund:*

The primary objective is to set aside funds to ensure the Corporation will be able to provide operating expenses for purchases and salaries to meet the needs of day-to-day operations.