

Independent Auditor's Report

**North York Harvest Food Bank
Financial Statements
For the year ended August 31, 2022**

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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, 2022, 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, 2022, 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, 2022 and 2021, current assets as at August 31, 2022 and 2021, and net assets as at September 1 and August 31 for both 2021 and 2022 years. Our opinion on the financial statements for the year ended August 31, 2021 was modified accordingly because of the possible effects of this scope limitation.

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 29, 2022

North York Harvest Food Bank
Statement of Financial Position

August 31 2022 2021

Assets

Current

Cash	\$ 1,297,788	\$ 2,110,482
Short-term investments (Note 3)	807,517	205,238
Receivables	142,107	143,804
Prepaid expenses	202,760	61,211

2,450,172 2,520,735

Capital assets (Note 4)

446,483 443,860

\$ 2,896,655 **\$ 2,964,595**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 318,913	\$ 378,914
Deferred revenue (Note 5)	586,552	1,131,007
Current portion of obligations under capital leases (Note 6)	18,047	18,429

923,512 1,528,350

Obligations under capital leases (Note 6)

39,121 57,168

Deferred capital contributions (Note 7)

313,320 306,706

1,275,953 1,892,224


Net assets


Community Capacity Building Fund	300,000	-
Contingency Fund	810,000	626,000
Unrestricted	510,702	446,371

1,620,702 1,072,371

\$ 2,896,655 **\$ 2,964,595**

On behalf of the Board:

 _____ Director

 _____ Director

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	2022	2021
Revenue		
Individual donations	\$ 1,287,237	\$ 1,213,701
Foundation donations	1,302,647	1,071,853
Government grants	493,294	598,656
Community donations	524,593	501,407
Corporate donations	283,017	449,716
COVID-19 funding from Food Banks Canada and Feed Ontario	413,345	310,582
Services	847,783	363,842
Special event donations	143,670	140,845
Interest and other income	124,143	101,802
	<u>5,419,729</u>	<u>4,752,404</u>
Expenditures (Note 8)		
Food distribution operation	1,567,002	1,644,219
Food distribution - food and gift card purchases	687,783	344,429
Community food banks and programs	1,629,927	1,364,764
Grants to member agencies	98,125	67,328
Administration	278,179	220,341
Fundraising	610,382	493,112
	<u>4,871,398</u>	<u>4,134,193</u>
Excess of revenue over expenditures	\$ 548,331	\$ 618,211

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

	Community Capacity Building Fund	Contingency Fund	Unrestricted	2022 Total
Net assets, beginning of year	\$ -	\$ 626,000	\$ 446,371	\$ 1,072,371
Excess of revenue over expenditures	-	-	548,331	548,331
Transfer to the Contingency Fund	-	184,000	(184,000)	-
Transfer to the Community Capacity Building Fund	300,000	-	(300,000)	-
Net assets, end of year	\$ 300,000	\$ 810,000	\$ 510,702	\$ 1,620,702

For the year ended August 31

	Community Capacity Building Fund	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

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	2022	2021
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 548,331	\$ 618,211
Adjustments required to reconcile excess of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	106,617	81,764
Amortization of deferred capital contributions	(73,121)	(52,336)
Changes in non-cash working capital balances		
Receivables	1,697	11,851
Prepaid expenses	(141,549)	(26,568)
Accounts payable and accrued liabilities	(60,001)	(606,945)
Deferred revenue	(544,455)	655,237
	<u>(162,481)</u>	<u>681,214</u>
Investing activities		
Purchase of capital assets	(109,240)	(58,481)
Purchase of short-term investments	(602,279)	(5,238)
	<u>(711,519)</u>	<u>(63,719)</u>
Financing activities		
Capital contributions received	79,735	47,248
Payments of obligations under capital leases	(18,429)	(17,531)
	<u>61,306</u>	<u>29,717</u>
Increase (decrease) in cash during the year	(812,694)	647,212
Cash, beginning of year	2,110,482	1,463,270
Cash, end of year	\$ 1,297,788	\$ 2,110,482

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

North York Harvest Food Bank
Notes to Financial Statements

August 31, 2022

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 the 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 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 they are redeemed.

North York Harvest Food Bank
Notes to Financial Statements

August 31, 2022

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 and software	- 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 \$184,000 (2021 - \$626,000) from Unrestricted funds to the Contingency Fund.

Community Capacity Building Fund

The Community Capacity Building Fund is an internally restricted fund that will be used to support the Organization's agencies and other groups in the catchment area that are engaged in anti-poverty work. This fund will respond to the strain and increased client volumes seen in the network and will be administered via a participatory budgeting process. During the year, the Board of Directors approved a transfer of \$300,000 (2021 - \$Nil) from Unrestricted funds to the Community Capacity Building Fund.

North York Harvest Food Bank
Notes to Financial Statements

August 31, 2022

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% (2021 - prime rate plus 1.56%). As at August 31, 2022 and 2021, there were no amounts drawn under the line of credit.

North York Harvest Food Bank
Notes to Financial Statements

August 31, 2022

3. Short-term Investments

Short-term investments consist of the following:

	2022	2021
Fixed income	\$ 794,859	\$ 199,334
High interest savings account	12,645	5,904
	\$ 807,504	\$ 205,238

Fixed income consists of Guaranteed Investment Certificates that earn interest between 0.75% and 4.15% (2021 - 0.70%) with maturity dates between November 2022 and August 2023 (2021 - December 2021 to March 2022).

4. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Trucks	\$ 492,060	\$ 287,412	\$ 492,060	\$ 246,194
Computer equipment and software	60,143	13,275	16,609	8,846
Equipment	145,841	93,331	114,908	79,156
Leasehold improvements	368,912	226,455	334,139	179,660
Totals	\$ 1,066,956	\$ 620,473	\$ 957,716	\$ 513,856
Cost, net of accumulated amortization		\$ 446,483		\$ 443,860

Trucks and equipment include assets under capital lease of \$122,539 (2021 - \$122,539), net of accumulated amortization of \$53,988 (2021 - \$39,860).

North York Harvest Food Bank
Notes to Financial Statements

August 31, 2022

5. Deferred Revenue

	2022	2021
Balance, beginning of year	\$ 1,131,007	\$ 475,770
Funding received during the year	925,904	1,834,968
Funding transferred to deferred capital contributions	(79,735)	(47,248)
Amounts recognized in revenue	(1,390,624)	(1,132,483)
Balance, end of year	\$ 586,552	\$ 1,131,007

As at year end, there is \$Nil (2021 - \$441,691) included in deferred revenue restricted for the COVID-19 pandemic.

6. Obligations under Capital Leases

	2022	2021
Equipment under capital lease, bearing interest at 3.18%, repayable in blended monthly installments of \$343, due May 2023, secured by related equipment	\$ 2,757	\$ 6,714
Truck under capital lease, bearing interest at 5.51%, repayable in blended monthly installments of \$1,429, due December 2025, secured by related truck	54,411	68,883
Balance of obligations	57,168	75,597
Less: current portion	18,047	18,429
	\$ 39,121	\$ 57,168

Future minimum lease payments consist of the following:

2023		\$ 20,615
2024		17,824
2025		17,824
2026		5,940
Minimum lease payments		62,203
Less: imputed interest		5,035
Balance of obligations		57,168
Less: current portion		18,047
Long term portion		\$ 39,121

Interest expense on capital leases for the year was \$3,508 (2021 - \$4,406).

North York Harvest Food Bank
Notes to Financial Statements

August 31, 2022

7. Deferred Capital Contributions

	2022	2021
Balance, beginning of year	\$ 306,706	\$ 311,794
Contributions received	79,735	47,248
Amounts amortized to revenue	(73,121)	(52,336)
Balance, end of year	<u>\$ 313,320</u>	<u>\$ 306,706</u>

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	2022 Total
Food distribution program	\$ 256,252	\$ 65,193	\$ 321,445
Community programs	245,084	40,067	285,151
Fundraising	138,193	7,164	145,357
Administration	100,849	12,727	113,576
	<u>\$ 740,378</u>	<u>\$ 125,151</u>	<u>\$ 865,529</u>

	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
	<u>\$ 674,409</u>	<u>\$ 185,794</u>	<u>\$ 860,203</u>

North York Harvest Food Bank
Notes to Financial Statements

August 31, 2022

9. Commitments

The Organization leases a premise under an operating lease arrangement. The minimum payments under this agreement are as follows:

2023	\$ 58,333
2024	58,796
2025	61,111
2026	50,926
	<hr/>
	\$ 229,166

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.

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current year.