

**North York Harvest Food Bank**  
**Financial Statements**  
For the year ended August 31, 2019

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## Independent Auditor's Report

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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, 2019, and the statements of operations and 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 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, 2019, 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 (deficiency) of revenue over expenditures and cash flows from operations for the year ended August 31, 2019, current assets as at August 31, 2019, and net assets as at September 1, 2018 and August 31, 2019. The predecessor auditor's opinion on the financial statements for the year ended August 31, 2018 was modified accordingly because of the possible effects of this limitation in 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 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.

### Other Matter

The financial statements for the year ended August 31, 2018 were audited by another auditor who expressed a qualified opinion on those financial statements on February 15, 2019 for reasons described in the *Basis for Qualified Opinion* section.

### 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.

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## Independent Auditor's Report (continued)

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### 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  
Mississauga, Ontario  
December 13, 2019

**North York Harvest Food Bank**  
**Statement of Financial Position**

August 31	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 426,746	\$ 389,141
Short-term investment (Note 3)	100,000	100,000
Receivables	116,128	32,631
Prepaid expenses	33,569	34,514
	676,443	556,286
<b>Capital assets (Note 4)</b>	<b>327,566</b>	<b>275,433</b>
	<b>\$ 1,004,009</b>	<b>\$ 831,719</b>

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 165,999	\$ 144,285
Deferred revenue (Note 5)	252,957	155,080
Current portion of obligations under capital leases (Note 6)	16,678	3,596
	435,634	302,961
<b>Obligations under capital leases (Note 6)</b>	<b>93,128</b>	<b>14,260</b>
<b>Deferred capital contributions (Note 7)</b>	<b>193,891</b>	<b>239,476</b>
	<b>722,653</b>	<b>556,697</b>
<b>Net assets</b>		
Unrestricted	281,356	275,022
	<b>\$ 1,004,009</b>	<b>\$ 831,719</b>

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 and Changes in Net Assets**

<b>For the year ended August 31</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Individual donations	\$ 657,802	\$ 595,407
Foundation donations	640,693	566,193
Government grants	353,705	108,147
Services	268,342	177,427
FoodReach	192,719	-
Community donations	170,128	163,573
Corporate donations	153,484	212,521
Special event donations	108,456	80,154
Interest and other income	115,904	91,131
	<u>2,661,233</u>	<u>1,994,553</u>
<b>Expenditures (Note 8)</b>		
Food distribution operation	1,281,589	1,004,733
Community programs	661,679	668,337
Fundraising	394,474	395,480
Administration	132,536	134,391
FoodReach	184,621	-
	<u>2,654,899</u>	<u>2,202,941</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>6,334</b>	<b>(208,388)</b>
<b>Net assets, beginning of year</b>	<u><b>275,022</b></u>	<u><b>483,410</b></u>
<b>Net assets, end of year</b>	<u><b>\$ 281,356</b></u>	<u><b>\$ 275,022</b></u>

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	2019	2018
<b>Cash was provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenditures	\$ 6,334	\$ (208,388)
Adjustments required to reconcile excess (deficiency) of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	60,010	55,020
Amortization of deferred capital contributions	(45,585)	(48,936)
Changes in non-cash working capital balances		
Receivables	(83,497)	24,055
Prepaid expenses	945	(12,716)
Accounts payable and accrued liabilities	21,714	22,703
Deferred revenue	97,877	20,061
	<b>57,798</b>	<b>(148,201)</b>
<b>Investing activities</b>		
Purchase of capital assets	(8,342)	-
Disposal of short-term investment	-	259,947
Purchase of short-term investment	-	(100,000)
	<b>(8,342)</b>	<b>159,947</b>
<b>Financing activity</b>		
Payments of obligations under capital leases	(11,851)	(3,994)
<b>Increase in cash during the year</b>	<b>37,605</b>	<b>7,752</b>
<b>Cash, beginning of year</b>	<b>389,141</b>	<b>381,389</b>
<b>Cash, end of year</b>	<b>\$ 426,746</b>	<b>\$ 389,141</b>
<b>Non-cash transactions:</b>		
Disposal of capital assets under capital lease	\$ -	\$ (3,283)
Purchase of capital assets under capital lease	103,801	18,738

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

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# North York Harvest Food Bank

## Notes to Financial Statements

**August 31, 2019**

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### 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**

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. In addition, the Toronto District School Board provides space in one of its schools at no charge to the Organization 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.

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## North York Harvest Food Bank Notes to Financial Statements

**August 31, 2019**

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### 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.

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# North York Harvest Food Bank

## Notes to Financial Statements

**August 31, 2019**

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### **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.

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### **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% (2018 - prime rate plus 1.56%). As at August 31, 2019 and 2018, there were no amounts drawn under the line of credit.

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**North York Harvest Food Bank**  
**Notes to Financial Statements**

**August 31, 2019**

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**3. Short-term Investment**

Short-term investment consists of a cashable Guaranteed Investment Certificate that earns interest at 1.45% (2018 - 0.80%) and matures in June 2020 (2018 - December 2018).

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**4. Capital Assets**

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Trucks	\$ 322,716	\$ 166,498	\$ 218,914	\$ 144,844
Computer equipment	6,883	4,792	6,883	3,899
Equipment	85,322	57,315	76,981	44,418
Leasehold improvements	270,394	129,144	270,394	104,578
Totals	\$ 685,315	\$ 357,749	\$ 573,172	\$ 297,739
Cost, net of accumulated amortization		\$ 327,566		\$ 275,433

Trucks and equipment include assets under capital lease of \$122,539 (2018 - \$18,738), net of accumulated amortization of \$11,605 (2018 - \$937).

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**5. Deferred Revenue**

	2019		2018	
Balance, beginning of year	\$ 155,080	\$	135,019	
Funding received during the year	757,172		400,364	
Amounts recognized in revenue	(659,295)		(380,303)	
Balance, end of year	\$ 252,957	\$	155,080	

**North York Harvest Food Bank**  
**Notes to Financial Statements**

**August 31, 2019**

**6. Obligations under Capital Leases**

	<b>2019</b>	2018
Equipment under capital lease, bearing interest at 3.18%, repayable in blended monthly instalments of \$343, due May 2023, secured by related equipment	<b>\$ 14,260</b>	\$ 17,856
Truck under capital lease, bearing interest at 5.51%, repayable in blended monthly instalments of \$1,429, due December 2025, secured by related truck	<b>95,546</b>	-
Balance of obligations	<b>109,806</b>	17,856
Less: current portion	<b>16,678</b>	3,596
	<b>\$ 93,128</b>	\$ 14,260

Future minimum lease payments consist of the following:

2020	\$ 21,937
2021	21,937
2022	21,937
2023	20,615
2024	17,824
Thereafter	<u>23,765</u>
Minimum lease payments	128,015
Less: imputed interest	<u>18,209</u>
Balance of obligations	109,806
Less: current portion	<u>16,678</u>
Long term portion	<u>\$ 93,128</u>

Interest expense on capital leases for the year was \$4,144 (2018 - \$412).

**North York Harvest Food Bank**  
**Notes to Financial Statements**

**August 31, 2019**

**7. Deferred Capital Contributions**

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ <b>239,476</b>	\$ 288,412
Amounts amortized to revenue	<b>(45,585)</b>	(48,936)
Balance, end of year	<b>\$ 193,891</b>	\$ 239,476

**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:

	<b>Salaries and benefits</b>	<b>Operational expenses</b>	<b>2019 Total</b>
Food distribution program	\$ 232,378	\$ 53,580	\$ 285,958
Community programs	206,549	18,258	224,807
Fundraising	126,137	7,635	133,772
Administration	96,228	3,193	99,421
	\$ 661,292	\$ 82,666	\$ 743,958

	<b>Salaries and benefits</b>	<b>Operational expenses</b>	<b>2018 Total</b>
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
	\$ 650,776	\$ 120,786	\$ 771,562

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**North York Harvest Food Bank**  
**Notes to Financial Statements**

**August 31, 2019**

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**9. Commitments**

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

2020	\$	55,555
2021		56,018
2022		58,333
2023		58,333
2024		58,796
Thereafter		<u>112,037</u>
	\$	<u>399,072</u>

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**10. Financial Instrument Risks**

*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.

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**11. Comparative Figures**

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