

**The Mississauga Food Bank**  
**Financial Statements**  
For the year ended May 31, 2018

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## Independent Auditor's Report

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### To the Members of The Mississauga Food Bank

We have audited the statement of financial position of The Mississauga Food Bank as at May 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended and 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.

### Basis for Qualified Opinion

In common with many charitable organizations, the entity derives revenues 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 entity. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from donations, excess of revenue over expenditures and cash flows from operations for the years ended May 31, 2018 and 2017, current assets as at May 31, 2018 and 2017, and net assets as at June 1 and May 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended May 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.



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## Independent Auditor's Report (continued)

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### Basis for Qualified Opinion (continued)

In addition, the entity receives donated food, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of donated food was limited to the amounts recorded in the records of the entity. Therefore, we were not able to determine whether any adjustments might be necessary to donated food, excess of revenue over expenditures and cash flows from operations for the year ended May 31, 2018, current assets as at May 31, 2018, and net assets as at June 1 and May 31 for 2018.

### 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 The Mississauga Food Bank as at May 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario  
October 16, 2018

**The Mississauga Food Bank  
Statement of Financial Position**

May 31	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash (Note 2)	\$ 419,713	\$ 282,546
Short-term investments (Note 3)	440,000	440,000
Receivables	44,624	48,890
Prepaid expenses	42,426	39,704
	946,763	811,140
<b>Capital assets (Note 4)</b>	<b>202,999</b>	<b>247,098</b>
	<b>\$ 1,149,762</b>	<b>\$ 1,058,238</b>

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 116,055	\$ 67,577
Deferred grant revenue (Note 5)	55,856	49,810
Deferred sponsorship revenue	72,083	41,377
Current portion of obligation under capital lease (Note 6)	28,440	28,440
	272,434	187,204
<b>Obligation under capital lease (Note 6)</b>	<b>63,265</b>	<b>84,453</b>
<b>Deferred capital contributions (Note 7)</b>	<b>76,214</b>	<b>109,628</b>
<b>Deferred leasehold inducement</b>	<b>6,488</b>	<b>12,048</b>
	<b>418,401</b>	<b>393,333</b>
<b>Net assets</b>		
Funds invested in capital assets (Note 8)	35,080	24,577
Contingency fund	440,000	440,000
Unrestricted funds	256,281	200,328
	731,361	664,905
	<b>\$ 1,149,762</b>	<b>\$ 1,058,238</b>

On behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

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

**The Mississauga Food Bank**  
**Statement of Changes in Net Assets**

For the year ended May 31	2018		2017	
	Funds Invested in Capital Assets	Contingency Fund	Unrestricted Funds	Total
<b>Balance, beginning of year</b>	<b>\$ 24,577</b>	<b>\$ 440,000</b>	<b>\$ 200,328</b>	<b>\$ 664,905</b>
<b>Excess of revenue over expenditures for the year</b>	<b>-</b>	<b>-</b>	<b>66,456</b>	<b>232,932</b>
<b>Amortization of capital assets</b>	<b>(74,410)</b>	<b>-</b>	<b>74,410</b>	<b>-</b>
<b>Amortization of deferred capital contributions</b>	<b>33,414</b>	<b>-</b>	<b>(33,414)</b>	<b>-</b>
<b>Purchase of capital assets</b>	<b>30,311</b>	<b>-</b>	<b>(30,311)</b>	<b>-</b>
<b>Payments made for obligation under capital lease</b>	<b>21,188</b>	<b>-</b>	<b>(21,188)</b>	<b>-</b>
<b>Balance, end of year</b>	<b>\$ 35,080</b>	<b>\$ 440,000</b>	<b>\$ 256,281</b>	<b>\$ 731,361</b>
	<b>\$ 664,905</b>		<b>\$ 664,905</b>	<b>\$ 664,905</b>

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

## The Mississauga Food Bank Statement of Operations

<b>For the year ended May 31</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Donations and membership fees	\$ 1,767,484	\$ 1,594,993
Donated food	4,387,305	4,360,830
Deferred capital contributions (Note 7)	33,414	33,815
Regional Municipality of Peel	86,136	83,222
Ontario Trillium Foundation	47,100	28,705
Sponsorships	133,044	113,887
Interest income	4,787	1,640
	<b>6,459,270</b>	<b>6,217,092</b>
<b>Expenditures</b>		
Advertising, promotion and community events	254,151	233,680
Amortization	74,410	85,910
Bank and credit card processing charges	27,467	22,491
Computer maintenance	42,586	25,989
Donated food	4,387,305	4,360,830
Donated items	6,620	10,493
Food delivery	28,699	27,691
Insurance	6,823	3,965
Interest on capital lease (Note 6)	7,252	8,685
Office and general	94,938	99,155
Professional fees	42,772	22,161
Purchased food and food drives	252,805	121,819
Rent and municipal taxes	134,297	124,320
Repairs and maintenance	64,321	93,072
Salaries and wages	898,230	683,388
Telephone and internet charges	22,180	17,241
Travel and conferences	10,703	8,581
Utilities	37,255	34,689
	<b>6,392,814</b>	<b>5,984,160</b>
<b>Excess of revenue over expenditures</b>	<b>\$ 66,456</b>	<b>\$ 232,932</b>

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

## The Mississauga Food Bank Statement of Cash Flows

For the year ended May 31	2018	2017
<b>Cash was provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenditures	\$ 66,456	\$ 232,932
Adjustments required to reconcile excess of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	74,410	85,910
Amortization of deferred capital contributions	(33,414)	(33,815)
Deferred leasehold inducement	(5,560)	(5,561)
Changes in non-cash working capital balances		
Receivables	4,266	(21,815)
Prepaid expenses	(2,722)	(6,219)
Accounts payable and accrued liabilities	48,478	(23,376)
Deferred grant revenue	6,046	(118,621)
Deferred sponsorship revenue	30,706	(50,915)
	<b>188,666</b>	<b>58,520</b>
<b>Investing activities</b>		
Purchase of capital assets	(30,311)	(107,157)
Net change in short-term investments	-	(335,468)
	<b>(30,311)</b>	<b>(442,625)</b>
<b>Financing activities</b>		
Capital funding received	-	87,595
Payments of obligation under capital lease	(21,188)	(19,755)
	<b>(21,188)</b>	<b>67,840</b>
<b>Increase (decrease) in cash during the year</b>	<b>137,167</b>	<b>(316,265)</b>
<b>Cash, beginning of year</b>	<b>282,546</b>	<b>598,811</b>
<b>Cash, end of year</b>	<b>\$ 419,713</b>	<b>\$ 282,546</b>

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

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# The Mississauga Food Bank

## Notes to Financial Statements

May 31, 2018

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### 1. Significant Accounting Policies

#### Nature of Organization

The Mississauga Food Bank's (the 'Organization') mission is relieving hunger in Mississauga by providing and promoting access to healthy food for people in need. The Organization is registered as a charity without share capital under the Ontario Corporations Act. As such, the Organization is able to issue donation receipts and is not liable for any federal or provincial income taxes under the provisions of the Income Tax Act.

#### Basis of Accounting

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

#### Capital Assets

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

Warehouse equipment	- 20 % diminishing balance basis
Refrigerated trucks	- 30 % diminishing balance basis
Refrigerated truck under capital lease	- 30 % diminishing balance basis
Freezer/cooler unit	- 5 years straight-line basis
Leasehold improvements	- straight-line over term of lease
Office equipment	- 20 % diminishing balance basis
Computer hardware and software	- 30 % diminishing balance basis
Signage	- 10 years straight-line basis
Inventory management system	- 5 years straight-line basis
Aquaponics equipment	- 5 years straight-line basis

#### Revenue Recognition

The Organization follows the deferral method of accounting for revenue. Restricted donations 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. Contributions restricted for the purchase of capital assets are recorded as revenue over the same period as the related amortization of the purchased assets.

Donated food has been valued based on national standards recommended by Food Banks Canada at \$2.50 per pound, which management believes to be a reasonable reflection of fair value. This dollar value of food has been reflected as both a revenue and an expense as Donated food on the Statement of Operations. During the year, the Organization distributed 1,754,922 pounds of food to the community (2017 - 1,744,332 pounds). The value of the food has been estimated at \$4,387,305 (2017 - \$4,360,830).



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# The Mississauga Food Bank

## Notes to Financial Statements

**May 31, 2018**

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### 1. Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

Grants are recorded as revenue in the period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Donations in kind (non-cash donations) are recorded as contributions at their estimated fair market value at the date of the donation. During the year, the Organization received \$6,620 (2017 - \$10,493) of donations in kind.

Sponsorship revenue that relates to a future period is deferred and recognized over the term of the sponsorship agreement.

#### Food Inventory

As food is distributed at no charge, no inventory value has been recorded on the Statement of Financial Position for food on-hand at year end.

#### Obligation under Capital Lease

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.

#### Deferred Leasehold Inducement

Deferred leasehold inducement represents free rent received from the landlord. The leasehold inducement is recorded as a deferred credit and is amortized on a straight-line basis over the term of the lease as a reduction of rent and municipal taxes.

#### Contingency Fund

The Contingency fund is an internally restricted fund that reflects amounts that are designated by the Board of Directors for special purposes or unforeseen circumstances, and are transferred to unrestricted funds as necessary. During the year, the Board of Directors approved a transfer of \$Nil (2017 - \$220,000) from Unrestricted funds to the Contingency fund.

#### Donated Services

The operation of the Organization is dependent on services provided by volunteers. Since these services are not purchased by the Organization and due to the difficulty of determining their market value, donated services are not recorded in the accounts.

#### Remuneration of the Board of Directors

Members of the Board of Directors are volunteers who serve without remuneration.

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# The Mississauga Food Bank

## Notes to Financial Statements

**May 31, 2018**

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### 1. Significant Accounting Policies (continued)

#### Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, 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.

#### 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.

#### Change in Accounting Policy

Effective the beginning of the current year, the Organization changed its accounting policy for the treatment of donated food. Previously, the Organization did not record a value for these items in the financial statements. Management believes that this new policy to record donated food provides reliable and more relevant information as it results in a more transparent treatment of donated food and is consistent with industry practice, making the Organization's financial statements more comparable. This change in accounting policy has been accounted for retrospectively and the comparative statements for the prior year have been restated. This change in accounting policy had the following effect on the financial statements: Increase in donated food revenue and increase in donated food expense of \$4,360,830.

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### 2. Cash

Included in cash are amounts restricted for deferred grant revenue and deferred sponsorship revenue aggregating \$127,939 (2017 - \$91,187).

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### 3. Short-term Investments

Short-term investments consist of cashable Guaranteed Investment Certificates that earn interest at 1.34% (2017 - 0.68% and 0.69%) and have maturity dates in October 2018 (2017 - April 2018).

**The Mississauga Food Bank**  
**Notes to Financial Statements**

**May 31, 2018**

**4. Capital Assets**

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Warehouse equipment	\$ 134,009	\$ 94,364	\$ 121,492	\$ 86,018
Refrigerated trucks	75,601	71,898	75,601	70,311
Refrigerated truck under capital lease	138,932	81,067	138,932	56,267
Freezer/cooler unit	89,893	89,893	89,893	89,893
Leasehold improvements	14,981	10,487	14,981	7,490
Office equipment	50,280	32,558	39,983	29,415
Computer hardware and software	71,723	49,889	64,226	42,139
Signage	4,827	2,655	4,827	2,172
Inventory management system	105,600	104,464	105,600	92,767
Aquaponics equipment	75,595	21,167	75,595	7,560
<b>Totals</b>	<b>\$ 761,441</b>	<b>\$ 558,442</b>	<b>\$ 731,130</b>	<b>\$ 484,032</b>
Cost, net of accumulated amortization		<b>\$ 202,999</b>		<b>\$ 247,098</b>

**5. Deferred Grant Revenue**

	2018	2017
Balance, beginning of year	\$ 49,810	\$ 67,643
Funding received during the year	92,182	85,389
Amounts recognized in revenue	<b>(86,136)</b>	<b>(103,222)</b>
Balance, end of year	<b>\$ 55,856</b>	<b>\$ 49,810</b>

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**The Mississauga Food Bank**  
**Notes to Financial Statements**

**May 31, 2018**

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**6. Obligation under Capital Lease**

In fiscal 2016, the Organization entered into a capital lease agreement for a refrigerated truck. The monthly payments are \$2,370 per month, with an imputed interest rate of 7%, and the capital lease matures in February 2022. This obligation is secured by the related asset. The interest expense for the year was \$7,252 (2017 - \$8,685). Future minimum lease payments consist of the following:

2019	\$	28,440
2020		28,440
2021		28,440
2022		<u>18,960</u>
Net minimum lease payments		104,280
Less: imputed interest		<u>12,575</u>
Balance of obligation		91,705
Less: current portion		<u>28,440</u>
Long term portion	\$	<u>63,265</u>

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**7. Deferred Capital Contributions**

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 109,628	\$ 55,848
Contributions received	-	87,595
Amounts amortized to revenue	<u>(33,414)</u>	<u>(33,815)</u>
Balance, end of year	<u>\$ 76,214</u>	<u>\$ 109,628</u>

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**8. Funds Invested in Capital Assets**

	<u>2018</u>	<u>2017</u>
Capital assets (Note 4)	\$ 202,999	\$ 247,098
Deferred capital contributions related to capital assets (Note 7)	(76,214)	(109,628)
Capital lease obligation (Note 6)	<u>(91,705)</u>	<u>(112,893)</u>
Balance, end of year	<u>\$ 35,080</u>	<u>\$ 24,577</u>

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## The Mississauga Food Bank Notes to Financial Statements

May 31, 2018

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### 9. Commitments

The Organization leases a premise under an operating lease arrangement and has an agreement for internet services. The minimum payments under the agreements for the next five years are as follows:

2019	\$	139,933
2020		28,593
2021		10,057
2022		9,920
2023		1,520
		<hr/>
	\$	190,023

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### 10. Financial Instrument Risks

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated short-term investments. This risk is mitigated as the short-term investments consist only of cashable Guaranteed Investment Certificates which can be cashed without penalty and reinvested should interest rates increase.

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### 11. Contingent Liability

During the year, the Organization entered into a promissory note with one of its funders for \$174,364 as security against a grant received. The promissory note is due on demand and shall bear interest at a rate of 8% per annum from the date of demand by the funder. This is effective for the period January 1, 2018 to December 31, 2019. The note including interest, will not require payment unless the funds received from the grant are not spent on eligible costs as agreed between The Regional Municipality of Peel and the Organization.

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### 12. Comparative Figures

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