

The Mississauga Food Bank
Financial Statements
For the year ended May 31, 2017

	Contents
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13



Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

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, 2017, 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 fundraising and 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 fundraising and donations, excess of revenue over expenditures and cash flows from operations for the years ended May 31, 2017 and 2016, current assets as at May 31, 2017 and 2016, and net assets as at June 1 and May 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended May 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

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, 2017, 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 17, 2017

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms

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

May 31	2017	2016
Assets		
Current		
Cash (Note 2)	\$ 282,546	\$ 598,811
Short-term investments (Note 3)	440,000	104,532
Accounts receivable	48,890	27,075
Prepaid expenses	39,704	33,485
	811,140	763,903
Capital assets (Note 4)	247,098	225,851
	\$ 1,058,238	\$ 989,754

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 67,577	\$ 90,953
Deferred grant revenue (Note 5)	49,810	168,431
Deferred sponsorship revenue	41,377	92,292
Current portion of obligation under capital lease (Note 6)	28,440	28,440
	187,204	380,116
Obligation under capital lease (Note 6)	84,453	104,208
Deferred capital contributions (Note 7)	109,628	55,848
Deferred leasehold inducement	12,048	17,609
	393,333	557,781
Net assets		
Funds invested in capital assets (Note 8)	24,577	37,355
Contingency fund	440,000	220,000
Unrestricted funds	200,328	174,618
	664,905	431,973
	\$ 1,058,238	\$ 989,754

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	2017		2016	
	Funds Invested in Capital Assets	Contingency Fund	Unrestricted Funds	Total
Balance, beginning of year	\$ 37,355	\$ 220,000	\$ 174,618	\$ 431,973
Excess of revenue over expenditures for the year	-	-	232,932	31,858
Amortization of capital assets	(85,910)	-	85,910	-
Amortization of deferred capital contributions	33,815	-	(33,815)	-
Capital funding received	(87,595)	-	87,595	-
Purchase of capital assets	107,157	-	(107,157)	-
Payments made for obligation under capital lease	19,755	-	(19,755)	-
Transfer of funds	-	220,000	(220,000)	-
Balance, end of year	\$ 24,577	\$ 440,000	\$ 200,328	\$ 664,905
			\$ 431,973	

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

The Mississauga Food Bank Statement of Operations

For the year ended May 31	2017	2016
Revenue		
Donations and membership fees	\$ 1,594,993	\$ 1,359,235
Fundraising events	-	3,000
Deferred capital contributions (Note 7)	33,815	27,944
Regional Municipality of Peel (Note 5a)	83,222	70,874
The Trillium Foundation (Note 5c)	28,705	-
Sponsorships	113,887	94,792
Gain on sale of capital assets	-	10,140
Interest income	1,640	346
	1,856,262	1,566,331
Expenditures		
Advertising, promotion and community events	194,867	145,293
Amortization	85,910	62,390
Bank and credit card processing charges	22,491	18,813
Computer maintenance	25,989	15,524
Donated items	10,493	13,290
Food delivery	27,691	44,026
Insurance	3,965	3,898
Interest on capital lease	8,685	3,196
Office and general	138,270	138,278
Professional fees	21,859	14,640
Purchased food and food drives	121,819	142,549
Rent and municipal taxes	124,320	135,023
Repairs and maintenance	93,072	64,961
Salaries and wages	683,388	685,984
Telephone and internet charges	17,241	13,039
Travel and conferences	8,581	5,104
Utilities	34,689	28,465
	1,623,330	1,534,473
Excess of revenue over expenditures	\$ 232,932	\$ 31,858

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	2017	2016
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 232,932	\$ 31,858
Adjustments required to reconcile excess of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	85,910	62,390
Amortization of deferred capital contributions	(33,815)	(27,944)
Gain on disposal of capital assets	-	(10,140)
Deferred capital contributions adjustment	-	(10,143)
Deferred leasehold inducement	(5,561)	(5,561)
Changes in non-cash working capital balances		
Accounts receivable	(21,815)	8,706
Prepaid expenses	(6,219)	(833)
Accounts payable and accrued liabilities	(23,376)	45,240
Deferred grant revenue	(118,621)	109,176
Deferred sponsorship revenue	(50,915)	47,687
	58,520	250,436
Investing activities		
Purchase of capital assets	(107,157)	(12,648)
Proceeds on sale of capital assets	-	20,283
Net change in short-term investments	(335,468)	(346)
	(442,625)	7,289
Financing activities		
Capital funding received	87,595	-
Payments of obligation under capital lease	(19,755)	(6,284)
	67,840	(6,284)
Increase (decrease) in cash during the year	(316,265)	251,441
Cash, beginning of year	598,811	347,370
Cash, end of year	\$ 282,546	\$ 598,811

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

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2017

1. Significant Accounting Policies

Nature of Organization

The Mississauga Food Bank (the 'Organization') sources, manages and distributes food to Mississauga residents 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 and fundraising event revenue 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.

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.

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

The Mississauga Food Bank

Notes to Financial Statements

May 31, 2017

1. Significant Accounting Policies (continued)

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 \$220,000 (2016 - \$150,000) 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 normally 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.

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.

The Mississauga Food Bank Notes to Financial Statements

May 31, 2017

2. Cash

Included in cash are amounts restricted for deferred grant revenue and deferred sponsorship revenue aggregating \$91,187 (2016 - \$260,723).

3. Short-term Investments

Short-term investments consist of cashable Guaranteed Investment Certificates that earn interest at 0.68% and 0.69% (2016 - 0.75%) and have maturity dates in April 2018 (2016 - October 2016).

4. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Warehouse equipment	\$ 121,492	\$ 86,018	\$ 106,818	\$ 78,984
Refrigerated trucks	75,601	70,311	75,601	68,043
Refrigerated truck under capital lease	138,932	56,267	138,932	20,840
Freezer/cooler unit	89,893	89,893	89,893	89,893
Leasehold improvements	14,981	7,490	14,981	4,494
Office equipment	39,983	29,415	34,018	27,519
Computer hardware and software	64,226	42,139	53,303	35,013
Signage	4,827	2,172	4,827	1,689
Inventory management system	105,600	92,767	105,600	71,647
Aquaponics equipment	75,595	7,560	-	-
Totals	\$ 731,130	\$ 484,032	\$ 623,973	\$ 398,122
Cost, net of accumulated amortization		\$ 247,098		\$ 225,851

The Mississauga Food Bank Notes to Financial Statements

May 31, 2017

5. Deferred Grant Revenue

The Organization received funding from a number of sources for special purposes during the year as detailed below:

a) In the current year, the Organization received funding of \$85,389 (2016 - \$81,673) from the Regional Municipality of Peel, which is earmarked for a specific staff position, and those expenses will continue in fiscal 2018.

	2017	2016
Balance, beginning of year	\$ 47,643	\$ 36,844
Funding received during the year	85,389	81,673
Amounts recognized in revenue	(83,222)	(70,874)
Balance, end of year	\$ 49,810	\$ 47,643

b) The Organization received funding of \$8,500 (2016 - \$72,913) earmarked for food and milk procurement during the year.

Balance, beginning of year	\$ 12,388	\$ 22,911
Funding received during the year	8,500	72,913
Amounts used to purchase food and milk	(20,888)	(83,436)
Balance, end of year	\$ -	\$ 12,388

c) The Organization received \$15,900 (2016 - \$88,400) from The Trillium Foundation, which is earmarked for the purchase, installation and operation of an aquaponics system.

Balance, beginning of year	\$ 88,400	\$ -
Funding received during the year	15,900	88,400
Amounts recognized in revenue	(28,705)	-
Purchase of Aquaponics equipment (Note 7d)	(75,595)	-
Balance, end of year	\$ -	\$ 88,400

d) The Organization received funding of \$Nil (2016 - \$20,000) earmarked for a specific food project.

Balance, beginning of year	\$ 20,000	\$ -
Funding received during the year	-	20,000
Amounts recognized in revenue	(20,000)	-
Balance, end of year	\$ -	\$ 20,000

Total deferred grant revenue, end of year	\$ 49,810	\$ 168,431
---	-----------	------------

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2017

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 \$8,685 (2016 - \$3,196). Future minimum lease payments consist of the following:

2018	\$ 28,440
2019	28,440
2020	28,440
2021	28,440
2022	<u>18,960</u>
Net minimum lease payments	132,720
Less: imputed interest	<u>19,827</u>
Balance of obligation	112,893
Less: current portion	<u>28,440</u>
Long term portion	<u>\$ 84,453</u>

The Mississauga Food Bank Notes to Financial Statements

May 31, 2017

7. Deferred Capital Contributions

a) The balance represents the unamortized amount received for the purchase of the refrigerated trucks. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2017	2016
Balance, beginning of year	\$ 7,561	\$ 20,944
Amounts amortized to revenue	(2,268)	(3,240)
Adjustment on sale	-	(10,143)
	\$ 5,293	\$ 7,561

b) The balance represents the unamortized amount received for the purchase of the inventory management system. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

Balance, beginning of year	\$ 33,952	\$ 55,072
Amounts amortized to revenue	(21,120)	(21,120)
	\$ 12,832	\$ 33,952

c) The balance represents the unamortized amount received for the purchase of warehouse equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

Balance, beginning of year	\$ 14,335	\$ 17,919
Additions during the year	12,000	-
Amounts amortized to revenue	(2,867)	(3,584)
	\$ 23,468	\$ 14,335

d) The balance represents the unamortized amount received for the purchase of Aquaponics equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

Balance, beginning of year	\$ -	\$ -
Additions during the year	75,595	-
Amounts amortized to revenue	(7,560)	-
	\$ 68,035	\$ -
Balance, end of year	\$ 68,035	\$ -
Total deferred capital contributions, end of year	\$ 109,628	\$ 55,848

The Mississauga Food Bank
Notes to Financial Statements

May 31, 2017

8. Funds Invested in Capital Assets

	2017	2016
Capital assets (Note 4)	\$ 247,098	\$ 225,851
Deferred capital contributions related to capital assets (Note 7)	(109,628)	(55,848)
Capital lease obligation (Note 6)	(112,893)	(132,648)
Balance, end of year	\$ 24,577	\$ 37,355

9. Commitment

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 and thereafter are as follows:

2018	\$	117,120
2019		117,657
2020		24,977
2021		6,441
2022		6,441
Thereafter		537
	\$	273,173

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.

11. Comparative Figures

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