

THE FOOD BANK OF YORK REGION
FINANCIAL STATEMENTS
DECEMBER 31, 2022

SMITH, SYKES, LEEPER & TUNSTALL LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

THE FOOD BANK OF YORK REGION
FINANCIAL STATEMENTS
DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Directors of,
The Food Bank of York Region.

Qualified Opinion

We have audited the accompanying financial statements of The Food Bank of York Region, which comprise the statement of financial position as at **December 31, 2022** 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.

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 resources of the Organization as at **December 31, 2022** and the results of financial activities, its changes in resources 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 donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

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 Food Bank of York Region 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 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 Food Bank of York Region'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 Food Bank of York Region or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing The Food Bank of York Region'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 Food Bank of York Region'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 Food Bank of York Region'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 Food Bank of York Region 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.

Smith, Sykes, Leeper & Tunstall LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Barrie, Ontario.
June 28th, 2023.

THE FOOD BANK OF YORK REGION
BALANCE SHEET
DECEMBER 31, 2022

	2022	2021
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 632,812	\$ 577,753
Restricted cash (Note 3)	116,109	132,276
Accounts receivable	105,626	33,221
HST recoverable	8,089	11,789
Inventory	347,188	303,871
Prepaid expenses	<u>9,980</u>	<u>20,130</u>
	1,219,804	1,079,040
Capital assets (Note 4)	314,020	220,832
	\$ 1,533,824	\$ 1,299,872
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 49,976	\$ 49,149
Deferred grants and donations (Note 7)	463,297	436,147
Current portion of obligations under capital lease (Note 6)	<u>17,194</u>	<u>35,580</u>
	530,467	520,876
Obligations under capital lease (Note 6)	2,193	0
Deferred capital grants (Note 7)	<u>291,769</u>	<u>189,887</u>
	824,429	710,763
<u>NET ASSETS</u>		
Invested in capital assets (Note 5)	2,864	(4,635)
Unrestricted	<u>706,531</u>	<u>593,744</u>
	709,395	589,109
	\$ 1,533,824	\$ 1,299,872

Approved on Behalf of the Board,

Bruno Ienillo

_____, Directors.

DocuSigned by:

[Signature]

_____, Directors.

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

THE FOOD BANK OF YORK REGION
STATEMENT OF
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022			2021
	Invested in Capital Assets	Unrestricted	Total	Total
NET ASSETS, BEGINNING OF THE YEAR	\$ (4,635)	\$ 593,744	\$ 589,109	\$ 633,458
Excess of revenues over expenditures (expenditures over revenues) for the year	0	120,286	120,286	(44,349)
Net change in investment in capital assets (Note 5)	7,499	(7,499)	0	0
NET ASSETS, END OF THE YEAR	\$ 2,864	\$ 706,531	\$ 709,395	\$ 589,109

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

THE FOOD BANK OF YORK REGION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
REVENUE		
Food program	\$ 6,592,489	\$ 7,244,589
Donations	566,964	368,013
Designated fund receipts (Note 8)	391,770	535,152
Grants	170,942	427,956
Amortization of deferred capital grants	82,720	52,865
Service charge income	38,941	20,472
Other revenue	11,737	1,071
	7,855,563	8,650,118
OPERATING EXPENSES		
Food program costs (Inventory)	6,592,489	7,244,589
Salaries and benefits (Note 8)	485,813	476,472
Grants (Note 8)	131,408	357,580
Amortization of capital assets	90,996	64,222
Rent (Note 8)	86,410	83,927
Vehicle and travel (Note 8)	77,244	101,972
Fresh produce purchases (Note 8)	76,427	136,270
Professional fees (Note 8)	62,239	68,677
Office and general (Note 8)	58,505	62,629
Insurance (Note 8)	25,116	20,429
Advertising (Note 8)	21,052	37,578
Supplies and warehousing costs (Note 8)	16,946	22,875
Utilities (Note 8)	12,173	13,161
Interest on capital leases	1,699	2,643
Bank charges and interest (Note 8)	1,324	1,443
	7,739,841	8,694,467
Income (loss) from operations	115,722	(44,349)
Gain on disposal of property, plant and equipment	4,564	0
EXCESS OF REVENUES OVER EXPENDITURES		
(EXPENDITURES OVER REVENUES) FOR THE YEAR	\$ 120,286	\$ (44,349)

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

THE FOOD BANK OF YORK REGION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
OPERATIONS		
Excess of revenues over expenditures (expenditures over revenues) for the year	\$ 120,286	\$ (44,349)
Items not requiring an outlay of cash:		
Amortization of capital assets	90,996	64,222
Gain on sale of capital assets	(4,564)	0
Amortization of deferred capital grants	(82,720)	(52,865)
Food program and other donations-in-kind	(6,592,489)	(7,244,589)
Food program and other in-kind expenses recognized	<u>6,592,489</u>	<u>7,244,589</u>
	123,998	(32,992)
Changes in operating working capital		
Restricted cash	16,167	(33,011)
Accounts receivable	(72,405)	86,954
Inventory	(43,317)	220,289
Prepaid expenses	10,150	(9,627)
Accounts payable and accrued expenses	827	(3,469)
HST recoverable	3,700	4,702
Deferred grants and donations	27,150	(187,278)
Current portion of obligations under capital lease	<u>(18,386)</u>	<u>20,331</u>
	(76,114)	98,891
CASH PROVIDED BY OPERATIONS	47,884	65,899
FINANCING		
Increase (decrease) in obligations under capital lease	2,193	(35,580)
Capital grant funding	<u>185,648</u>	<u>86,810</u>
CASH PROVIDED BY FINANCING	187,841	51,230
INVESTING		
Additions to property, plant and equipment	(185,647)	(88,500)
Proceeds on disposal of property, plant and equipment	<u>4,981</u>	<u>0</u>
CASH (USED FOR) INVESTING	(180,666)	(88,500)
NET CHANGE IN CASH POSITION	55,059	28,629
Cash position, beginning of the year	577,753	549,124
CASH POSITION, END OF THE YEAR	\$ 632,812	\$ 577,753

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

THE FOOD BANK OF YORK REGION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

PURPOSE OF THE ORGANIZATION

The Food Bank of York Region changed its name during the year from LifeCorps International and was continued under the Canada Not-for-Profit Corporations Act. The Food Bank of York Region is a Canadian Registered Charity dedicated to relieve poverty by operating food banks and soup kitchens and providing basic necessities of life, including clean water and clothing for individuals or families who are in need, and by collecting and distributing food and basic necessities of life to organizations that provide food and assistance within Ontario and Canada. Additionally to promote health by protecting and maintaining public health through the operation of a food literacy and nutrition program to slow the development and progression of disease.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASNPO) and include the following significant accounting policies:

Donated Materials and Supplies

Donated materials and supplies are recorded at their fair market value at the time of the donation. During the year \$6,592,489 (2021 - \$7,244,589) was recorded as donations consisting primarily of food donations. If the donating organization discloses the value of the goods then that is used as the fair market value. If the value is not disclosed then the organization uses a standard rate per unit of measure as the fair market value.

Use of estimates -

The preparation of the financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include allowance for doubtful accounts, the estimated useful lives of property, plant and equipment (including deferred capital contributions); the valuation of inventory and contributed materials and supplies. Actual results could differ from those estimates.

Financial instruments -

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets and liabilities measured at amortized cost include cash, short-term investments, accounts receivable and accounts payable and accrued expense.

There are currently no financial assets and liabilities subsequently measured at fair value.

THE FOOD BANK OF YORK REGION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. Any reversal is recognized in net income.

Cash and cash equivalents -

The Organization's policy is to present under cash and cash equivalents; bank balances at a registered financial institution including a GIC.

Revenue recognition

The Organization follows the deferral method of accounting for donations.

- Unrestricted donations are recognized as revenue when received.
- Externally restricted donations are deferred and taken into revenue when the funds are spent.
- Donations restricted for the purchase of capital assets are deferred and amortized into revenue at an amount equal to the amortization of that group of capital assets.
- Externally restricted donations used to purchase land are recorded as a direct increase in net assets invested in capital assets.
- Donated materials and supplies are only recorded as revenue when the estimated fair market value of the items donated can be supported within the policy set out by the Charities Directorate of the Canada Revenue Agency.

The Organization generates service charge revenue from Agencies to which it contracts with. Service charge revenue is determined by a unit fee per unique individual served by the agency. Revenue is charged annually and recorded when invoiced.

Short term investments

Short-term investments are valued at the lower of cost and quoted market value.

Inventory

Inventory consists of donated materials and supplies and is recorded within the policies set out within revenue recognition. Additionally, the Organization purchases fresh food when funding is available, this inventory is stated at the lower of cost and market value. Market value is considered as replacement value or estimated realizable value, whichever is lower. There is no purchased inventory on hand at year-end.

Contributed services -

Volunteers contribute many hours each year to assist the Organization in carrying out its activities. Because of the difficulty of determining its fair value, contributed services are not recognized in the financial statements.

Allocation of common expenses within designated disbursements -

The Organization engages in a number of activities for which it receives designated funding. While engaged in these activities the Organization incurs common expenditures as allowed by the various funding providers. These common expenditures have been reallocated from common expense accounts to the designated disbursement account as allocated in (Note 8).

THE FOOD BANK OF YORK REGION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. FINANCIAL RISKS AND CONCENTRATION OF RISK

The Organization is exposed to the following risks related to its financial assets and liabilities:

Liquidity risk -

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable, accrued expenses, obligations under capital lease and deferred grants and donations carrying external restrictions. The Organization expects to meet these obligations as they come due by generating sufficient cash flow from operations. There has been an increase in the risk assessment from the prior period due to the increased funding followed by increased obligations subsequent to year-end.

Credit risk -

Credit risk arises from the possibility that the entities to which the Organization sells services may experience financial difficulty and be unable to fulfil their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtors' payment history. The Organization provides credit to funders through contracts, receivables are concentrated to funding organizations where management is of the opinion that risk is minimal. Actual exposure to credit losses has been minimal in prior years. There has been no change in the risk assessment from the prior period. At year-end the allowance for doubtful accounts is \$0 (2021 - \$0).

Market risk -

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. Currently the Organization is not exposed to interest rate risk.

Foreign currency risk -

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is not currently exposed to currency risk. There has been no change in the risk assessment from the prior period.

Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates. The Organization is mainly exposed to interest rate risk through capital lease obligations. The exposure to this risk fluctuates from year to year. There has been no change in the risk assessment from the prior period.

Other price risk -

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not exposed to other price risk. There has been no change in the risk assessment from the prior period.

THE FOOD BANK OF YORK REGION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. RESTRICTED CASH

The Organization has cash on hand related to the monetary component of deferred grants and donations and Bingo cash. Restricted cash as of year-end consists of the following:

	<u>2022</u>	<u>2021</u>
AAFC - Emergency Food Security Fund	\$ 0	\$ 74,000
Walmart	8,473	41,185
Bingo	5,848	11,091
Mazon	8,796	6,000
50 / 50	12	0
Jesus Christ of Latter Day Saints	10,000	0
York Region CIF - Halal Meat	5,980	0
York Region CIF - Grocery Gift Card	<u>77,000</u>	<u>0</u>
Balance, end of the year	<u>\$ 116,109</u>	<u>\$ 132,276</u>

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2022</u>	<u>Net 2021</u>
Leasehold improvements	81,920	40,622	41,298	57,682
Furniture and equipment	47,795	32,959	14,836	18,545
Vehicles	424,361	183,907	240,454	119,702
Vehicles - capital lease	<u>122,023</u>	<u>104,591</u>	<u>17,432</u>	<u>24,903</u>
	<u>\$ 676,099</u>	<u>\$ 362,079</u>	<u>\$ 314,020</u>	<u>\$ 220,832</u>

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a declining-balance basis at the following annual rates:

Leasehold improvements	- 5 year straight line over the term of lease
Furniture and equipment	- 20% declining balance
Vehicles	- 30% declining balance
Vehicles - capital lease	- 30% declining balance

THE FOOD BANK OF YORK REGION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

5. NET ASSETS INVESTED IN CAPITAL ASSETS

The net assets invested in capital assets consists of the following:

	<u>2022</u>	<u>2021</u>
Net book value of capital assets	\$ 314,020	\$ 220,832
Financed through capital lease obligations	(19,387)	(35,580)
Amounts financed by deferred capital grants	<u>(291,769)</u>	<u>(189,887)</u>
	<u>\$ 2,864</u>	<u>\$ (4,635)</u>

The changes in net assets invested in capital assets is calculated as follows:

Purchase of capital assets	\$ 185,647	\$ 88,500
Amortization of capital assets	(90,996)	(64,222)
Amortization of deferred capital grants	82,720	52,865
Grant funds received	(185,648)	(86,810)
Loan activity for loans used to capital assets	16,193	15,249
Net book value of capital assets sold	<u>(417)</u>	<u>0</u>
	<u>\$ 7,499</u>	<u>\$ 5,582</u>

6. OBLIGATIONS UNDER CAPITAL LEASE

	<u>2022</u>	<u>2021</u>
Capital lease obligation, bearing implicit interest at 6.02% per annum, repayable in 60 monthly principal and interest payments of \$1,491, term ends February 2024, secured by a vehicle with a carrying amount of \$17,432 and includes a residual guarantee of \$19,387.	\$ 19,387	\$ 35,580
Less: current portion	<u>17,194</u>	<u>0</u>
	<u>\$ 2,193</u>	<u>\$ 35,580</u>

The minimum annual payments over the next two years with respect to the long-term debt are as follows:

2023	\$ 17,194
2024	<u>2,193</u>
	<u>\$ 19,387</u>

THE FOOD BANK OF YORK REGION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

7. DEFERRED CONTRIBUTIONS AND DEFERRED CAPITAL CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>
Deferred grants and donations consists of the following:		
Bingo	\$ 5,848	\$ 11,091
Mazon	8,796	6,000
Walmart	8,473	41,185
Emergency Food Security Fund	0	74,000
York Region CIF - Grocery Gift Card	77,000	0
York Region CIF - Halal Meat	5,980	0
Jesus Christ of Latter Day Saints	10,000	0
50 / 50	12	0
Undistributed food donations	<u>347,188</u>	<u>303,871</u>
Balance, end of the year	<u>\$ 463,297</u>	<u>\$ 436,147</u>

Bingo: The Organization's staff perform volunteer work at bingo. This grant has been provided for the expenses towards the lease on the delivery truck, insurance, staff wages and salaries in carrying these activities.

Mazon: The Mazon funding is donated with the restriction that funds be used to purchase kosher foods.

Walmart: The Walmart Fight Hunger Spark Change 2021 campaign provided restricted funding to support purchasing fresh food and delivery support.

Emergency Food Security Fund: Grant funding primarily for food purchases, gift cards, food vouchers and some amounts for other specific operational costs.

York Region CIF: The York Region Community Investment Fund includes fund received under two programs, one to purchase Halal meat and another to purchase grocery gift cards.

Jesus Christ of Latter Day Saints: Grant funding primarily for food purchases.

50 / 50 Funding: Represents raffle revenue which is restricted to food purchases for social housing.

Undistributed food donations: This balance represents the inventory on hand at the year end waiting to be distributed subsequent to the year end.

Deferred capital grants related to capital assets:

Balance, beginning of the year	\$ 189,887	\$ 155,942
Additional restricted funds received	185,648	86,810
Disposal of asset recorded with gain on disposal	(1,046)	0
Current year's amortization	<u>(82,720)</u>	<u>(52,865)</u>
Balance, end of the year	<u>\$ 291,769</u>	<u>\$ 189,887</u>

THE FOOD BANK OF YORK REGION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. DESIGNATED FUNDS

2022 2021

Designated fund receipts include funding from various contracts applicable during the period excluding the Region of York which is reported in Grants. Designated fund receipts consists of the following:

Designated fund receipts	\$ 391,770	\$ 535,152
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Designated fund disbursements, including current year allocation from common expenditures, consists of the following:

Payroll	137,930	163,380
Grants	\$ 105,084	\$ 100,079
Fresh grocery purchases	86,349	134,001
Vehicle	43,048	89,934
Advertising	7,768	10,156
Supplies and warehousing	6,576	2,388
Insurance	5,304	4,966
Bank charges	180	91
Rent	0	31,591
Utilities	0	1,785
	<u>\$ 392,239</u>	<u>\$ 538,371</u>

9. LEASE COMMITMENTS

The Organization has entered into a lease with minimum aggregate annual payments for the next two years as follows:

2023	\$ 60,521	
2024	\$ 30,260	

10. ECONOMIC DEPENDENCE

16% of the Organization's Food program donations (2021 - 25%) were from one donor, an entity that reallocates unsaleable goods from retailers to community groups and distributors. If that donor did not distribute to the Organization management would work to expand relationships to recoup as much of the lost donations as possible.