

SCARBOROUGH FOOD SECURITY INITIATIVE

Financial Statements

April 30, 2023

SCARBOROUGH FOOD SECURITY INITIATIVE

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Year Ended April 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Scarborough Food Security Initiative

Qualified Opinion

We have audited the financial statements of Scarborough Food Security Initiative (the "Organization"), which comprise the statement of financial position as at April 30, 2023, 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 April 30, 2023, and the results of its operations and 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 and fundraising activities, the completeness of which is not susceptible to 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 revenues, excess of revenues over expenses, and cash flow from operations for the year ended April 30, 2023 and 2022, or assets and net assets as at April 30, 2023 and 2022 and May 1, 2022 and 2021.

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 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 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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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 this financial information.

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.

Hogg, Shain & Scheck PC

Toronto, Ontario
December 22, 2023

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

SCARBOROUGH FOOD SECURITY INITIATIVE

Statement of Financial Position

As at April 30, 2023

	2023	2022
ASSETS		
CURRENT		
Cash and cash equivalents (Note 7)	\$ 1,261,031	\$ 1,215,513
CAPITAL ASSETS (Note 4)	<u>516,586</u>	<u>390,787</u>
	\$ 1,777,617	\$ 1,606,300
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 262,975	\$ 18,573
Deferred revenues (Note 5)	<u>-</u>	<u>12,016</u>
	262,975	30,589
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	<u>107,065</u>	<u>243,283</u>
	370,040	273,872
NET ASSETS		
UNRESTRICTED	<u>1,407,577</u>	<u>1,332,428</u>
	\$ 1,777,617	\$ 1,606,300

COMMITMENTS (Note 7)

APPROVED ON BEHALF OF THE BOARD

Director

Director

See the accompanying notes to these financial statements

SCARBOROUGH FOOD SECURITY INITIATIVE
Statement of Operations and Changes in Net Assets
Year Ended April 30, 2023

	2023 (Note 9)	2022 (Note 9)
REVENUES		
Corporate	\$ 426,480	\$ 441,914
Individual	280,504	771,321
Grants	143,645	55,331
Interest income	15,645	-
Sales of merchandise	11,367	17,931
	<u>877,641</u>	<u>1,286,497</u>
EXPENSES		
Programs (Note 8)	504,994	155,906
Amortization	226,294	207,707
Insurance	25,006	9,046
Professional fees	16,741	23,430
Rental	16,119	3,450
Office and administration	11,979	77,749
Interest and bank charges	1,359	436
	<u>802,492</u>	<u>477,724</u>
EXCESS OF REVENUES OVER EXPENSES	75,149	808,773
NET ASSETS - BEGINNING OF YEAR	<u>1,332,428</u>	<u>523,655</u>
NET ASSETS - END OF YEAR	<u>\$ 1,407,577</u>	<u>\$ 1,332,428</u>

See the accompanying notes to these financial statements

SCARBOROUGH FOOD SECURITY INITIATIVE

Statement of Cash Flows
Year Ended April 30, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 75,149	\$ 808,773
Item not affecting cash:		
Amortization of capital assets	226,294	207,707
	<u>301,443</u>	<u>1,016,480</u>
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	244,402	18,573
Deferred capital contributions	(136,218)	243,283
Deferred revenues	(12,016)	12,016
	<u>96,168</u>	<u>273,872</u>
	<u>397,611</u>	<u>1,290,352</u>
INVESTING ACTIVITY		
Purchase of capital assets	(352,093)	(552,839)
INCREASE IN CASH	45,518	737,513
CASH - BEGINNING OF YEAR	<u>1,215,513</u>	<u>478,000</u>
CASH - END OF YEAR	<u>\$ 1,261,031</u>	<u>\$ 1,215,513</u>

See the accompanying notes to these financial statements

SCARBOROUGH FOOD SECURITY INITIATIVE

Notes to Financial Statements

Year Ended April 30, 2023

1. NATURE AND PURPOSE OF THE ORGANIZATION

Scarborough Food Security Initiative (the "Organization") was incorporated as a not-for-profit organization in Canada without share capital on April 20, 2020. The Organization is exempt from income tax in Canada as a not-for-profit organization under subsection 149(1) of the Income Tax Act (Canada).

The Organization is committed to relieve poverty by operating food banks and soup kitchens for individuals or families who are poor, of low income, or in need in Scarborough, Ontario and the surrounding area. In addition the Organization is committed to advance in education by providing culinary and hospitality training programmes to at-risk youth, refugees and immigrants in need.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are the representations of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Canada Handbook and include the following significant accounting policies.

Revenue recognition

The Organization follows the deferral method of accounting for contributions, including grants, contributions and fundraising. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured. Contributions explicitly and implicitly restricted by the donor are deferred when received and recognized as revenues when the related activity takes place and expenses incurred.

Contributions received for the purchase of capital assets are initially deferred and then amortized as revenues on the same basis as related capital assets are amortized.

Volunteers contribute many hours annually to assist the Organization in carrying out its activities. Volunteer services are not recognized in these financial statements as the Organization would not otherwise purchase these services.

Community and volunteers contribute food donations which are directly delivered to the Organization. Food donations are not recognized in these financial statements, as the Organization would not otherwise purchase these products. The food donations are utilized towards the daily operation of food bank and soup kitchens.

Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value and subsequently at amortized cost. The financial asset and liabilities subsequently measured at amortized cost include cash and accounts payable.

The financial asset subsequently measured at amortized cost is cash. The financial liabilities measured at amortized cost includes accounts payable.

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SCARBOROUGH FOOD SECURITY INITIATIVE

Notes to Financial Statements

Year Ended April 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial instruments

Financial assets measured at cost or amortized cost are tested for impairment, if there are indications of possible impairment. The impairment loss is measured as the difference between the carrying value and estimated recoverable amount. A previously recognized impairment loss may be reversed to the extent of the improvement, either 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 loss not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenses.

Capital assets

They are stated at cost or deemed cost less accumulated amortization. They are amortized over its estimated useful life on a straight-line basis at the following rates and methods:

Equipment	10 years	straight-line method
Motor vehicles	5 years	straight-line method
Leasehold improvements	Over the lease term	straight-line method

Impairment of long-lived assets

Management tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

It is management's opinion that the Organization is not exposed to significant interest rate, currency, credit, liquidity, market, or other price risks arising from its financial instruments.

Cash consists of cash on hand and deposits held in accounts at major Canadian banks. Cash balances are sufficient to meet accounts payable and other financial liabilities as they come due

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Equipment	\$ 196,912	\$ 48,189	\$ 148,723	\$ 162,736
Motor vehicles	64,042	32,179	31,863	51,234
Leasehold improvements	689,634	353,634	336,000	176,817
	<u>\$ 950,588</u>	<u>\$ 434,002</u>	<u>\$ 516,586</u>	<u>\$ 390,787</u>

SCARBOROUGH FOOD SECURITY INITIATIVE

Notes to Financial Statements

Year Ended April 30, 2023

5. DEFERRED REVENUES

Deferred revenues at April 30 consist of the following

	2023	2022
Individual contributions	\$ -	\$ 3,781
Corporate contributions	-	8,235
	<u>\$ -</u>	<u>\$ 12,016</u>

Continuity of deferred revenues is as follows:

Balance, beginning of the fiscal year	\$ 12,016	\$ -
Add: amounts received during the fiscal year	838,614	1,406,692
Less: amounts recognized as revenues during the fiscal year	(850,630)	(1,151,393)
Less: deferred capital contribution	-	(243,283)
	<u>\$ -</u>	<u>\$ 12,016</u>

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent restricted contributions received for purchases of a vehicle, kitchen equipment and leasehold improvements.

	2023	2022
Balance, beginning of the fiscal year		
Balance, beginning of the fiscal year	\$ 243,283	\$ -
Add: deferred capital contributions received	-	379,500
Less: deferred capital contributions recognized as revenues	(136,218)	(136,217)
	<u>\$ 107,065</u>	<u>\$ 243,283</u>

7. COMMITMENTS

The Organization has five (5) premises with terms extending to June 30, 2028. Future minimum lease payments range from \$Nil to \$5,415 per month as follows 2024 - \$50,157; 2025 - \$4,800; and 2026-2029 - \$Nil. In addition, the Organization is responsible for utilities, insurance, property taxes and minor repairs.

On July 1, 2023, the Organization signed an agreement to lease premise at 411-415 Kennedy Road, Scarborough. The funds held in cash and cash equivalents of \$1,015,645 (2022 - nil) will finance the renovation to be completed in fiscal 2024.

8. EXPENSE ALLOCATION

Included in program expenses as at April 30, 2023 are \$403,361 (2022 - \$152,908) of payroll expenses.

Included in office and administration expenses as at April 30, 2023 are \$8,671 (2022 - \$nil) of payroll expenses.

SCARBOROUGH FOOD SECURITY INITIATIVE

Notes to Financial Statements

Year Ended April 30, 2023

9. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
