

SCARBOROUGH FOOD SECURITY INITIATIVE

Financial Statements

April 30, 2024

SCARBOROUGH FOOD SECURITY INITIATIVE

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Year Ended April 30, 2024

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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, 2024, and the statements of operations, 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, 2024, 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 flows from operations for the year ended April 30, 2024 and 2023, or assets and net assets as at April 30, 2024 and 2023 and May 1, 2023 and 2022.

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.

Emphasis of Matter

We draw attention to Note 2 to the financial statement which explains that certain comparative information presented for the year ended April 30, 2023 has been restated. Our opinion has not been modified in respect of this matter.

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.

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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.

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.

Hogg, Shain & Scheck PC

Toronto, Ontario
November 5, 2024

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

SCARBOROUGH FOOD SECURITY INITIATIVE

Statement of Financial Position

As at April 30, 2024

	2024	2023
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,304,515	\$ 1,261,030
Harmonized Sales Tax recoverable (Notes 2 and 11)	71,490	69,671
Prepaid expenses	5,396	-
	<u>1,381,401</u>	<u>1,330,701</u>
CAPITAL ASSETS (Note 5)	<u>715,277</u>	<u>516,586</u>
	<u>\$ 2,096,678</u>	<u>\$ 1,847,287</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 76,465	\$ 262,974
Deferred revenues (Note 6)	8,526	-
	<u>84,991</u>	<u>262,974</u>
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	<u>106,291</u>	<u>107,065</u>
	<u>191,282</u>	<u>370,039</u>
NET ASSETS		
UNRESTRICTED	<u>1,905,396</u>	<u>1,477,248</u>
	<u>\$ 2,096,678</u>	<u>\$ 1,847,287</u>
COMMITMENTS (Note 9)		
APPROVED ON BEHALF OF THE BOARD		
_____ Director		
_____ Director		

See the accompanying notes to these financial statements

SCARBOROUGH FOOD SECURITY INITIATIVE**Statement of Operations
Year Ended April 30, 2024**

	2024	2023
REVENUES		
Corporate and foundation contributions	\$ 856,999	\$ 523,944
Individual donations	297,927	280,504
Government grants <i>(Note 8)</i>	268,522	46,181
Interest	36,370	15,645
Social enterprise	31,575	11,367
	<u>1,491,393</u>	<u>877,641</u>
EXPENSES		
Programs <i>(Notes 2, 10 and 11)</i>	894,244	499,780
Amortization	72,395	226,294
Insurance	38,604	25,006
Rental <i>(Notes 2 and 11)</i>	24,672	15,292
Office and administration <i>(Notes 2, 10 and 11)</i>	18,109	13,090
Professional fees <i>(Notes 2 and 11)</i>	15,221	15,882
	<u>1,063,245</u>	<u>795,344</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 428,148</u>	<u>\$ 82,297</u>

See the accompanying notes to these financial statements

SCARBOROUGH FOOD SECURITY INITIATIVE**Statement of Changes in Net Assets****Year Ended April 30, 2024**

	2024	2023
NET ASSETS - BEGINNING OF YEAR		
As previously reported	\$ 1,407,577	\$ 1,332,428
Add: Prior period adjustments <i>(Note 2)</i>	69,671	62,523
As restated	1,477,248	1,394,951
Excess of revenues over expenses	428,148	82,297
NET ASSETS - END OF YEAR	\$ 1,905,396	\$ 1,477,248

See the accompanying notes to these financial statements

SCARBOROUGH FOOD SECURITY INITIATIVE

Statement of Cash Flows Year Ended April 30, 2024

	2024	2023
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 428,148	\$ 82,297
Items not affecting cash:		
Amortization of capital assets	72,395	226,294
Amortization of deferred capital contributions	(23,454)	(136,218)
	<u>477,089</u>	<u>172,373</u>
Changes in non-cash working capital:		
Harmonized Sales Tax recoverable	(1,819)	(7,148)
Prepaid expenses	(5,396)	-
Accounts payable and accrued liabilities	(186,509)	244,401
Deferred revenues	8,526	(12,016)
	<u>(185,198)</u>	<u>225,237</u>
Cash flow from operating activities	<u>291,891</u>	<u>397,610</u>
INVESTING ACTIVITY		
Purchase of capital assets and cash flow used by investing activity	<u>(271,086)</u>	<u>(352,093)</u>
FINANCING ACTIVITY		
Advances from deferred capital revenues and cash flow from financing activity	<u>22,680</u>	<u>-</u>
INCREASE IN CASH	43,485	45,517
CASH - BEGINNING OF YEAR	<u>1,261,030</u>	<u>1,215,513</u>
CASH - END OF YEAR	<u>\$ 1,304,515</u>	<u>\$ 1,261,030</u>

See the accompanying notes to these financial statements

SCARBOROUGH FOOD SECURITY INITIATIVE

Notes to Financial Statements

Year Ended April 30, 2024

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 advancing education by providing culinary and hospitality training programmes to at-risk youth, refugees and immigrants in need.

2. RESTATEMENT OF COMPARATIVE FIGURES

During fiscal 2024, management identified that Harmonized Sales Tax recoverable for fiscal 2022 and 2023 were expensed in the respective fiscal years. Accordingly, these errors were corrected by management by restating the 2023 comparative figures as follows:

Statement of Financial Position as at April 30, 2023

	As previously stated	Adjustment	Restated
Harmonized Sales Tax recoverable	\$ -	\$ 69,671	\$ 69,671

a) The balance of net assets at May 1, 2022 was adjusted as follows:

	May 1 2022
Net assets, beginning, as previously reported	\$ 1,332,428
Adjustments to beginning net assets:	
Restatement of Harmonized Sales Tax recoverable	62,523
Net assets, beginning, as restated	\$ 1,394,951

b) Expenses for the year ended April 30, 2023, which were previously reported using Canadian generally accepted accounting principles, have been restated as follows:

	As previously stated	Adjustment	Restated
Expenses			
Programs	\$ 504,994	\$ (5,214)	\$ 499,780
Professional fees	16,741	(859)	15,882
Rental	16,119	(827)	15,292
Office	11,979	(248)	11,731
	\$ 549,833	\$ (7,148)	\$ 542,685

SCARBOROUGH FOOD SECURITY INITIATIVE

Notes to Financial Statements

Year Ended April 30, 2024

3. 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 government grants and corporate and foundation contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including individual donations, 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.

Sale of merchandise and FoodHall income are recognized as revenues when received or receivable, if the amount can be reasonably estimated, and collection is reasonably assured.

Financial instruments

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

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

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 their estimated useful life on a straight-line basis at the following rates and methods:

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

Assets not in use are not amortized until the project is completed and related assets put into use.

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SCARBOROUGH FOOD SECURITY INITIATIVE

Notes to Financial Statements

Year Ended April 30, 2024

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

Impairment of long-lived assets

Long-lived assets including capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. Fair value is determined by the current replacement value.

Contributed services and materials

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.

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.

4. 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.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Assets not in use	\$ 497,889	\$ -	\$ 497,889	\$ 336,000
Equipment	212,441	69,433	143,008	148,723
Leasehold improvements	423,396	387,195	36,201	-
Shipping container	23,906	4,781	19,125	-
Motor vehicles	64,042	44,988	19,054	31,863
	<u>\$ 1,221,674</u>	<u>\$ 506,397</u>	<u>\$ 715,277</u>	<u>\$ 516,586</u>

SCARBOROUGH FOOD SECURITY INITIATIVE

Notes to Financial Statements

Year Ended April 30, 2024

6. DEFERRED REVENUES

Deferred revenues at April 30 consist of the following:

	2024	2023
City of Toronto	\$ 8,526	\$ -

Continuity of deferred revenues is as follows:

Balance, beginning of year	\$ -	\$ 12,016
Add: amounts received during the fiscal year	1,431,974	838,614
Less: amounts recognized as revenues during the fiscal year	(1,423,448)	(850,630)
Balance, end of year	\$ 8,526	\$ -

7. DEFERRED CAPITAL CONTRIBUTIONS

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

	2024	2023
Balance, beginning of year	\$ 107,065	\$ 243,283
Add: deferred capital contributions received	22,680	-
Less: deferred capital contributions recognized as revenues	(23,454)	(136,218)
Balance, end of year	\$ 106,291	\$ 107,065

8. GOVERNMENT GRANTS

Government grants recognized in the year are as follows:

	2024	2023
Employment and Social Development Canada	\$ 56,932	\$ 25,861
Canadian Red Cross Society	65,150	-
City of Toronto	146,440	20,320
	\$ 268,522	\$ 46,181

9. COMMITMENTS

The Organization has seven (7) premises with lease agreements extending to December 31, 2028. Future minimum lease payments range from \$Nil to \$4,800 per month as follows: 2025 - \$4,800; and 2026-2029 - \$Nil. In addition, the Organization is responsible for utilities, insurance, property taxes and minor repairs.

SCARBOROUGH FOOD SECURITY INITIATIVE

Notes to Financial Statements

Year Ended April 30, 2024

10. EXPENSE ALLOCATION

Program expenses as at April 30, 2024 include \$596,873 (2023 - \$403,361) of payroll expenses.

Office and administration expenses as at April 30, 2024 include \$9,615 (2023 - \$8,671) of payroll expenses.

11. COMPARATIVE FIGURES

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