

**SCARBOROUGH FOOD SECURITY INITIATIVE**

**Financial Statements**

**April 30, 2022**

**SCARBOROUGH FOOD SECURITY INITIATIVE**

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**Year Ended April 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Scarborough Food Security Initiative

### *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, 2022, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at April 30, 2022, 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.

### *Basis for 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, 2022 and 2021, or assets and net assets as at April 30, 2022 and 2021 and May 1, 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 opinion.

### *Other Matter*

The financial statements for the year ended April 30, 2021 are unaudited.

### *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.

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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 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 28, 2022

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

SCARBOROUGH FOOD SECURITY INITIATIVE

Statement of Financial Position

As at April 30, 2022

	2022	2021 <i>(Unaudited)</i>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,215,513	\$ 478,000
<b>CAPITAL ASSETS</b> <i>(net of accumulated amortization) (Note 4)</i>	<u>390,787</u>	<u>45,655</u>
	<b>\$ 1,606,300</b>	<b>\$ 523,655</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 18,573	\$ -
Deferred revenues <i>(Note 5)</i>	<u>12,016</u>	<u>-</u>
	30,589	-
<b>DEFERRED CAPITAL CONTRIBUTIONS</b> <i>(Note 6)</i>	<u>243,283</u>	<u>-</u>
	<b>273,872</b>	<b>-</b>
<b>NET ASSETS</b>		
<b>UNRESTRICTED</b>	<u>1,332,428</u>	<u>523,655</u>
	<b>\$ 1,606,300</b>	<b>\$ 523,655</b>

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, 2022**

	2022	2021 <i>(Unaudited)</i>
<b>REVENUES</b>		
Individual	\$ 771,321	\$ 228,283
Corporate	441,914	111,165
Grants	55,331	251,252
Sales of merchandise	17,931	-
	<u>1,286,497</u>	<u>590,700</u>
<b>EXPENSES</b>		
Amortization	207,707	-
Salaries, wages and benefits	152,908	51,466
Office	78,088	4,742
Professional fees	23,430	-
Insurance	9,046	3,057
Rental	3,450	3,325
Supplies	2,659	2,608
Interest and bank charges	436	208
Advertising and promotion	-	1,639
	<u>477,724</u>	<u>67,045</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>808,773</b>	<b>523,655</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u><b>523,655</b></u>	<u>-</u>
<b>NET ASSETS - END OF YEAR</b>	<u><b>\$ 1,332,428</b></u>	<u><b>\$ 523,655</b></u>

*See the accompanying notes to these financial statements*

**SCARBOROUGH FOOD SECURITY INITIATIVE**

**Statement of Cash Flows**  
**Year Ended April 30, 2022**

	2022	2021 <i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 808,773	\$ 523,655
Item not affecting cash:		
Amortization of property and equipment	<u>207,707</u>	-
	<u>1,016,480</u>	523,655
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	18,573	-
Deferred revenues	12,016	-
Deferred capital contributions	<u>243,283</u>	-
	<u>273,872</u>	-
	<u>1,290,352</u>	523,655
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	<u>(552,839)</u>	(45,655)
<b>INCREASE IN CASH</b>	737,513	478,000
<b>CASH - BEGINNING OF YEAR</b>	<u>478,000</u>	-
<b>CASH - END OF YEAR</b>	<u>\$ 1,215,513</u>	<u>\$ 478,000</u>

*See the accompanying notes to these financial statements*

# SCARBOROUGH FOOD SECURITY INITIATIVE

## Notes to Financial Statements

Year Ended April 30, 2022

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### 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 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.

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### 2. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year, the Organization adopted Canadian accounting standards for not-for-profit organizations (ASNFP). These financial statements are the first prepared in accordance with these standards. The adoption of ASNFP had no impact on net assets as at May 1, 2021 or operations and changes in net assets or cash flows for the year ended April 30, 2021, as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

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### 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 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.

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# SCARBOROUGH FOOD SECURITY INITIATIVE

## Notes to Financial Statements

Year Ended April 30, 2022

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

#### Financial instruments policy

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.

#### Impairment of financial instruments

Financial assets, measured at cost or amortized cost, are tested for impairment if there are indications of possible impairment. 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 any write down or 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.

### 4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Equipment	\$ 180,818	\$ 18,082	\$ 162,736	\$ 34,718
Motor vehicles	64,042	12,808	51,234	10,937
Leasehold improvements	353,634	176,817	176,817	-
	<u>\$ 598,494</u>	<u>\$ 207,707</u>	<u>\$ 390,787</u>	<u>\$ 45,655</u>

**SCARBOROUGH FOOD SECURITY INITIATIVE**

**Notes to Financial Statements**

**Year Ended April 30, 2022**

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**5. DEFERRED REVENUES**

Deferred revenues at April 30 consist of the following

	<u>2022</u>	<u>2021</u>
Individual contributions	\$ 3,781	\$ -
Corporate contributions	8,235	-
	<u>\$ 12,016</u>	<u>\$ -</u>

Continuity of deferred revenues is as follows:

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

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**6. DEFERRED CAPITAL CONTRIBUTIONS**

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of the fiscal year		
Add: deferred capital contributions received	\$ 379,500	\$ -
Less: deferred capital contributions recognized as revenues	(136,217)	-
	<u>\$ 243,283</u>	<u>\$ -</u>

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**7. COVID-19**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic, which resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

During fiscal 2022, the demand for the Organizations core services stabilized. The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Organization in future years. Management and directors continue to closely monitor and assess the impact on operations. It is the opinion of the management and directors that the Organization will have sufficient resources to mitigate any potential negative impact that may occur in fiscal 2023 as a result of ongoing COVID-19 implications.

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