
**THE STOP COMMUNITY FOOD
CENTRE**

FINANCIAL STATEMENTS

AUGUST 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of The Stop Community Food Centre,

Qualified Opinion

We have audited the financial statements of The Stop Community Food Centre, formerly known as Brands for Canada Ontario (the organization), which comprise the statement of financial position as at August 31, 2019, 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 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 Stop Community Food Centre as at August 31, 2019 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 Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donation and fundraising revenue, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue 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 donation and fundraising revenue, excess of revenue over expenses for the year, 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 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 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.

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 your 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.

Pennylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

November 27, 2019
Toronto, Ontario

THE STOP COMMUNITY FOOD CENTRE

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2019

	2019	2018
ASSETS		
Current assets		
Cash	\$ 201,886	\$ 430,002
Amounts receivable	168,401	105,147
HST rebate recoverable	31,932	67,247
Prepaid expenses	<u>29,858</u>	<u>37,805</u>
	432,077	640,201
Capital assets (note 3)	<u>25,735</u>	<u>9,367</u>
	<u>\$ 457,812</u>	<u>\$ 649,568</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 117,495	\$ 109,100
Deferred contributions (note 4)	<u>108,841</u>	<u>289,930</u>
	<u>226,336</u>	<u>399,030</u>
Net assets		
Unrestricted	114,888	133,950
Designated (note 5)	<u>116,588</u>	<u>116,588</u>
	<u>231,476</u>	<u>250,538</u>
	<u>\$ 457,812</u>	<u>\$ 649,568</u>

Approved on behalf of the Board:


_____, Director


_____, Director

see accompanying notes

THE STOP COMMUNITY FOOD CENTRE

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
REVENUE		
Contributions (note 6)	\$ 1,841,857	\$ 1,777,962
Special events	1,163,381	1,033,808
Food donations (note 7)	500,817	579,320
Government funding (note 8)	360,034	391,612
Social enterprise	197,755	204,048
Rental and other	27,657	48,721
Interest	-	4,151
	<u>4,091,501</u>	<u>4,039,622</u>
EXPENSES		
Program		
Personnel	1,591,438	1,512,419
Community programs (note 9)	620,286	642,206
Food donations distributed (note 7)	500,817	579,320
Occupancy	109,717	62,774
Fund development		
Personnel	358,835	342,198
Events	206,279	200,104
Fund development	174,915	154,262
Social enterprise		
Personnel	81,229	64,921
Occupancy	41,616	44,252
Social enterprise	31,813	44,275
Administrative		
Personnel	230,781	204,838
Administrative	101,324	115,686
Occupancy	57,312	74,714
	<u>4,106,362</u>	<u>4,041,969</u>
Excess of expenses over revenue before below noted items	<u>(14,861)</u>	<u>(2,347)</u>
Capital funding recognized	-	6,397
Amortization	<u>(4,201)</u>	<u>(8,477)</u>
	<u>(4,201)</u>	<u>(2,080)</u>
EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR	(19,062)	(4,427)
Net assets, beginning of year	<u>250,538</u>	<u>254,965</u>
NET ASSETS, END OF YEAR	<u>\$ 231,476</u>	<u>\$ 250,538</u>

see accompanying notes

THE STOP COMMUNITY FOOD CENTRE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of expenses over revenue for the year	\$ (19,062)	\$ (4,427)
Add back (subtract) non-cash items -		
Amortization of capital assets	4,201	8,477
Capital funding recognized in year	-	(6,397)
Food donations distributed (note 7)	500,817	579,320
Food donations received (note 7)	(500,817)	(579,320)
Net change in non-cash working capital items (see below)	<u>(192,686)</u>	<u>(122,893)</u>
Net cash used for operating activities	<u>(207,547)</u>	<u>(125,240)</u>
INVESTING ACTIVITIES		
Capital assets purchased	<u>(20,569)</u>	<u>(7,212)</u>
NET CASH DECREASE IN THE YEAR	(228,116)	(132,452)
Cash, beginning of year	<u>430,002</u>	<u>562,454</u>
CASH, END OF YEAR	<u>\$ 201,886</u>	<u>\$ 430,002</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Amounts receivable	\$ (63,254)	\$ (74,745)
HST rebate recoverable	35,315	(31,830)
Prepaid expenses	7,947	(22,468)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	8,395	26,015
Deferred contributions	<u>(181,089)</u>	<u>(19,865)</u>
	<u>\$ (192,686)</u>	<u>\$ (122,893)</u>

see accompanying notes

THE STOP COMMUNITY FOOD CENTRE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

The Stop Community Food Centre (the organization) is incorporated in the Province of Ontario without share capital. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The organization provides programs, services and advocacy to address the problems of poverty and hunger in Toronto.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Contributions and government funding

The organization follows the deferral method of revenue recognition for contributions and government funding.

Externally restricted contributions, including project grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions. Externally restricted contributions related to the purchase of capital assets are recorded as revenue in the same period, and on the same basis, as the related capital assets are amortized.

Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received. Pledges are not recorded as revenue.

Contributed goods and services

Except for food, contributed goods and services which are normally purchased by the organization, are not recorded in the accounts. Food donations are recognized as revenue when received.

Special event and social enterprise revenue

Special event revenue and social enterprise revenue, which includes revenue from farmers' market related activities, is recognized as revenue in the period the service is delivered.

Interest income

Interest income is recognized as revenue when earned.

Capital assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Kitchen equipment	- 5 years, straight-line basis
Office furniture and equipment	- 5 years, straight-line basis
Computer equipment	- 5 years, straight-line basis
Leasehold improvements	- 5 years, straight-line basis

THE STOP COMMUNITY FOOD CENTRE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food donations received and distributed

Food donations received and distributed are valued at the average annual price per pound of food established by the Canadian Association of Food Banks.

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Specifically, assumptions have been made in arriving at the useful life of capital assets and the value of food donations received and distributed in the year. These estimates are reviewed annually, and, as adjustments become necessary, they are reported in the period in which they become known.

2. FINANCIAL INSTRUMENTS

The organization's financial instruments include cash, amounts receivable, accounts payable and accrued liabilities. Amounts receivable, accounts payable and accrued liabilities are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value.

3. CAPITAL ASSETS

Capital assets comprise the following:

	Cost	Accumulated Amortization	2019 Net	2018 Net
Kitchen equipment	\$ 55,427	\$ (47,128)	\$ 8,299	\$ 4,665
Office furniture and equipment	38,925	(31,374)	7,551	3,822
Computer equipment	6,682	(881)	5,801	-
Leasehold improvements	<u>136,085</u>	<u>(132,001)</u>	<u>4,084</u>	<u>880</u>
	<u>\$ 237,119</u>	<u>\$ (211,384)</u>	<u>\$ 25,735</u>	<u>\$ 9,367</u>

4. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2019	2018
Deferred contributions, beginning of year	\$ 289,930	\$ 309,795
Add cash received from contributions and government funding	2,020,802	2,149,709
Less contributions and government funding recognized	<u>(2,201,891)</u>	<u>(2,169,574)</u>
Deferred contributions, end of year	<u>\$ 108,841</u>	<u>\$ 289,930</u>

5. DESIGNATED NET ASSETS

The Board of Directors designated net assets of \$116,588 as at August 31, 2019 (\$116,588 designated as at August 31, 2018) to be used to strategically increase the organization's capacity to deliver on its mission.

THE STOP COMMUNITY FOOD CENTRE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

6. CONTRIBUTIONS

Contributions were received from the following sources in the year:

	2019	2018
Foundations	\$ 1,015,670	\$ 1,022,027
Individuals	557,977	464,005
Corporations	61,598	52,250
Other	<u>206,612</u>	<u>239,680</u>
	<u>\$ 1,841,857</u>	<u>\$ 1,777,962</u>

7. FOOD DONATIONS RECEIVED AND DISTRIBUTED

The Canadian Association of Food Banks has valued the average price per pound of food at \$2.60 for 2019 (\$2.50 per pound for 2018).

The organization received and distributed a total of 192,622 pounds of food in 2019 from Daily Bread Food Bank and Second Harvest valued at \$500,817 (231,728 pounds of food received and distributed with a value of \$579,320 in 2018).

8. GOVERNMENT FUNDING

Government funding recognized in the year was as follows:

	2019	2018
City of Toronto	\$ 255,442	\$ 239,677
Government of Canada		
Public Health Agency of Canada	88,732	119,880
Employment and Social Development Canada	14,260	25,655
Province of Ontario	<u>1,600</u>	<u>6,400</u>
	<u>\$ 360,034</u>	<u>\$ 391,612</u>

9. COMMUNITY PROGRAM EXPENSES

Direct costs incurred for delivering community programming comprise the following:

	2019	2018
Food supplies	\$ 257,576	\$ 261,652
Consultants	55,065	51,881
Community partners	43,098	45,091
Other	<u>264,547</u>	<u>283,582</u>
	<u>\$ 620,286</u>	<u>\$ 642,206</u>

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AUGUST 31, 2019

10. LEASE OBLIGATIONS

The organization leases kitchen and programming facilities and office space in Toronto, Canada. Minimum annual payments over the term of the leases are as follows:

2020	\$	134,121
2021		142,168
2022		150,698
2023		159,740
2024		169,324