

THE STOP COMMUNITY FOOD CENTRE

FINANCIAL STATEMENTS

AUGUST 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Members of
The Stop Community Food Centre

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Stop Community Food Centre (the "Centre"), which comprise the statement of financial position as at August 31, 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 Stop Community Food Centre as at August 31, 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

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 Centre 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 of the Stop Community Food Centre for the year ended August 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on January 27, 2022.

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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.

INDEPENDENT AUDITORS' REPORT (Continued)

- 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 Centre'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 Centre'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 Centre 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.

KRIENS-LAROSE, LLP




Chartered Professional Accountants
Licensed Public Accountants

THE STOP COMMUNITY FOOD CENTRE
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2022

	2022	2021
	\$	\$ (Note 12)
ASSETS		
CURRENT		
Cash	386,998	809,321
Investments (Notes 2, 5)	2,614,635	1,782,572
Accounts receivable	54,489	48,927
Government assistance receivable (Note 9)	-	113,922
HST rebate recoverable	75,823	69,276
Prepaid expenses	49,229	22,795
	3,181,174	2,846,813
CAPITAL ASSETS (Note 3)	10,039	15,615
	3,191,213	2,862,428
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	102,924	87,379
Deferred contributions (Note 4)	1,109,528	796,288
	1,212,452	883,667
NET ASSETS		
Unrestricted	762,173	762,173
Designated (Note 5)	1,216,588	1,216,588
	1,978,761	1,978,761
	3,191,213	2,862,428

APPROVED ON BEHALF OF THE BOARD:

 _____, Director  _____, Director

THE STOP COMMUNITY FOOD CENTRE
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED AUGUST 31, 2022

	2022	2021
	\$	\$
REVENUES		
Contributions (Note 6)	3,870,573	3,499,725
Food donations (Note 7)	708,260	456,665
Government funding (Note 8)	545,248	440,601
Social enterprise	98,409	45,237
Rental and other	24,804	78,775
Government assistance (Note 9)	-	359,143
	5,247,294	4,880,146
EXPENSES		
Program		
Personnel	1,830,638	1,679,370
Community programs	869,737	898,746
Food donations distributed (Note 7)	708,260	456,665
Occupancy	134,967	154,204
Fund Development		
Personnel	528,216	374,231
Fund development	242,632	186,198
Events	1,597	2,252
Social Enterprises		
Personnel	84,816	101,675
Occupancy	31,063	5,478
Social enterprise	3,842	8,586
Administrative		
Personnel	455,997	286,890
Administrative	276,601	183,289
Occupancy	73,352	74,518
Amortization	5,576	5,576
	5,247,294	4,417,678
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR		
	-	462,468
NET ASSETS, beginning of year	1,978,761	1,516,293
NET ASSETS, end of year	1,978,761	1,978,761

See accompanying notes to the financial statements

THE STOP COMMUNITY FOOD CENTRE
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED AUGUST 31, 2022

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	2022	2021
	\$	\$
CASH WAS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	-	462,468
Charges to income not involving cash:		
Amortization	5,576	5,576
Food donations distributed	708,260	456,665
Food donations received	(708,260)	(456,665)
	5,576	468,044
Changes in non-cash working capital balances:		
Accounts receivable	(5,562)	102,067
Government assistance receivable	113,922	188,647
HST rebate recoverable	(6,547)	(37,864)
Prepaid expenses	(26,434)	3,849
Accounts payable and accrued liabilities	15,545	(152,883)
Deferred contributions	313,240	323,095
	404,164	426,911
	409,740	894,955
CASH FROM INVESTING ACTIVITIES		
Guaranteed investment certificates (purchased)	(900,000)	(1,200,000)
Other investments (purchased) redeemed (net)	67,937	(82,572)
	(832,063)	(1,282,572)
Change in cash	(422,323)	(387,617)
Cash, beginning of year	809,321	1,196,938
Cash, end of year	386,998	809,321

See accompanying notes to the financial statements

PURPOSE OF THE CENTRE

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

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

The Centre is economically dependent on contributions, donations and Government funding as these revenue sources comprise 98% (2021: 97%) of the Centre's total revenue.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include the following significant accounting policies:

Financial Instruments

The Centre initially measures its financial assets and financial liabilities at fair value. The Centre 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 the statement of operations.

Financial assets measured at amortized cost include cash, investments, government assistance receivable and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Use of Estimates

The preparation of financial statements in accordance 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 reporting date and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

Continued...

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and fixed income investments with maturities of less than 90 days.

Prepaid Expenses

Prepaid expenses are recorded for goods and services to be received in the next fiscal year, which were paid for in the current fiscal year.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided annually at rates calculated to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Kitchen equipment	5 year, straight-line basis
Furniture and equipment	5 year, straight-line basis
Computer equipment	5 year, straight-line basis
Leasehold improvements	5 year, straight-line basis

Revenue Recognition

The Centre uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. 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.

Investment income which comprises interest from cash and guaranteed investment certificates, dividends from equity securities, reinvested distributions from index pooled funds and unrealized and realized gains and losses on the sale of equities and mutual funds is included in other income. Investment income is recognized as revenue when earned.

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

All other revenues are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledges are not recorded as revenue.

Continued...

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Assistance

Government assistance is a restricted contribution and is accounted for using the deferral method based on the assistance provided:

Wage Subsidies

Wage subsidies are recognized as revenue in the year the related wages are incurred.

Donated Property and Services

Except for food, contributed goods and services which are not normally purchased by the organization, are not recognized in these financial statements because of the difficulty of determining their fair value.

Food donations are recognized as revenue when received.

Food donations received and distributed

Food donations received and distributed are valued at based on the prices per pound by type of food established by the Canadian Association of Food Banks.

Allocation of Expenses

The Centre allocates salary and other costs by financial statement expense category. Salary and other allocations are based on time spent in an activity.

Continued...

2. INVESTMENTS

Investments consists of the following:

	2022 \$	2021 \$
Guaranteed investment certificates, 0.85%, maturing in February 2023	2,600,000	-
Guaranteed investment certificates, 0.4%, maturing between September 2021 to July 2022	-	1,700,000
Equities and mutual funds	14,635	82,572
	<u>2,614,635</u>	<u>1,782,572</u>

Guaranteed investment certificates	1,383,412	483,412
Designated guaranteed investment certificates	1,216,588	1,216,588
Other investments	14,635	82,572
	<u>2,614,635</u>	<u>1,782,572</u>

3. CAPITAL ASSETS

	2022		2021	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Kitchen equipment	55,427	52,384	55,427	50,586
Furniture and equipment	38,925	36,174	38,925	34,538
Computer equipment	6,682	3,841	6,682	2,584
Leasehold improvements	136,085	134,681	136,085	133,796
	<u>237,119</u>	<u>227,080</u>	<u>237,119</u>	<u>221,504</u>
Net book value	10,039		15,615	

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4. DEFERRED CONTRIBUTIONS

The change in the deferred contributions balance is as follows:

	2022	2021
	\$	\$
Balance, beginning of year	796,288	473,193
Restricted contributions and government funding received during the year	2,052,155	4,263,421
Amounts recognized as revenue during the year	(1,738,915)	(3,940,326)
Balance, end of year	1,109,528	796,288

Deferred contributions consists of the following:

Contributions	976,814	705,689
Government funding	132,714	90,599
	1,109,528	796,288

5. DESIGNATED NET ASSETS

The Board of Directors of the Centre has established designated net assets for contingency and strategic purpose. The change in the designated net assets balance is as follows:

	Beginning balance	Transfer to / from unrestricted net assets	Ending Balance
Emergency reserve	800,000	-	800,000
Working capital reserve	316,588	-	316,588
Capital reserve	100,000	-	100,000
	1,216,588	-	1,216,588

Amounts maintained for designated net assets comprise of designated guaranteed investment certificates.

Continued...

6. CONTRIBUTIONS

Contributions were received from the following sources in the year:

	2022 \$	2021 \$ (Note 12)
Foundations	1,924,395	1,518,813
Individuals	1,354,291	1,309,102
Corporations	591,887	671,810
	<hr/> 3,870,573	<hr/> 3,499,725

7. FOOD DONATIONS RECEIVED AND DISTRIBUTED

Throughout the fiscal year, the Centre receives in-kind food donations from program partners and distribute them to those in need.

These in-kind food donations are reflected in the statement of operations and changes in net assets as food donations revenue and an offsetting food donations distributed expense.

Food donations received and distributed are valued at based on the prices per pound by type of food established by the Canadian Association of Food Banks. The Centre recognizes the Food donations received and distributed in the period in which they are received and distributed.

Continued...

8. GOVERNMENT FUNDING

Government funding recognized in the year is as follows:

	2022	2021
	\$	\$
City of Toronto	416,116	297,828
Government of Canada		
Public Health Agency of Canada	119,880	142,773
Other Ministries	9,252	-
	545,248	440,601

9. GOVERNMENT ASSISTANCE

In 2021, the Centre recognized Government assistance in the amount of \$359,143 for the Canada Emergency Wage Subsidy (CEWS), of which \$113,922 was receivable as at August 31, 2021. The CEWS served as financial relief for a portion of employee wages. The CEWS was temporary and was available from March 15, 2020 to October 23, 2021 to eligible employers.

The assistance received is not repayable albeit is subject to audit by the Canada Revenue Agency (CRA).

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10. FINANCIAL INSTRUMENTS

The Centre is exposed to various risks through its financial instruments. The following presents the Centre's risk exposures and concentrations at August 31, 2022.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Centre's credit risk would occur with their accounts receivable. Actual exposure to credit losses has been minimal in prior years. The allowance for doubtful accounts is \$0 (2021: \$0).

Liquidity Risk

Liquidity risk is the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk as it depends on contributions, donations, and Government assistance for its operations. In order to reduce its liquidity risk, the Centre seeks to continue to receive these revenue sources on an annual basis, and manages its cash flow and set aside idle funds to fulfill its obligations. There has been no change in the risk assessment from the prior period.

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 risks: currency risk, interest rate risk and other price risk.

Currency Risk

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 Centre actively manages the currency risk by limiting foreign equities and mutual funds in the investment portfolio.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Centre has a low interest rate risk as majority of its investments is in GICs.

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 Centre actively manages the currency risk by limiting equities and mutual funds in the investment portfolio.

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11. COMMITMENTS

The Centre leases kitchen and programming facilities and office space in Toronto, Canada. In addition to minimum rent, the Centre is also required to pay for its share of operating cost and property taxes which are adjusted on an annual basis.

The approximate annual commitments under lease are as follows:

2023	\$57,299
2024	\$57,574
2025	\$57,869
2026	\$30,685
2027	\$2,833
Total	<u>\$206,260</u>

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.