

PARKDALE FOOD CENTRE
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Independent Auditors' Report
Statement of Financial Position
Statement of Operations
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements



INDEPENDENT AUDITORS' REPORT

To the Directors of:
Parkdale Food Centre

Qualified Opinion

We have audited the financial statements of Parkdale Food Centre, which comprise the statement of financial position as at December 31, 2020, and the statement of operations, statement of changes in net assets and cash flows statement 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 Parkdale Food Centre as at December 31, 2020, 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 not-for-profit organizations, Parkdale Food Centre derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Parkdale Food Centre. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, cash flows from operations and net assets for both December 31, 2020 and the previous year.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity 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.

Other Matter

The financial statements of Parkdale Food Centre for the year ended December 31, 2019 were audited by another auditor who expressed a qualified opinion on those statements on September 17, 2020.

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 Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of 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 auditors' 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 audit 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 controls.
- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 matter 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.



Frouin Group Professional Corporation
Ottawa Ontario
May 21, 2020

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

FROUIN
GROUP

PARKDALE FOOD CENTRE
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 717,212	\$ 186,987
Guaranteed investment certificates (Note 3)	187,737	153,567
Accounts receivable	112,629	54,720
Inventory (Note 2b)	18,211	5,341
Prepaid expenses	2,171	3,972
HST recoverable	<u>62,908</u>	<u>9,556</u>
	1,100,868	414,143
 PROPERTY AND EQUIPMENT (Notes 2c and 4)	 <u>14,686</u>	 <u>8,884</u>
 TOTAL ASSETS	 <u>\$ 1,115,554</u>	 <u>\$ 423,027</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 194,277	\$ 29,312
Deferred contributions (Note 5)	<u>162,504</u>	<u>147,661</u>
	<u>356,781</u>	<u>176,973</u>
 NET ASSETS		
General Fund	79,099	65,547
Growing Futures Fund, restricted fund (Note 2e)	20,367	43,491
Thirteen Social Enterprise Fund, restricted fund (Note 2e)	34,307	12,016
Strategic Initiatives Reserve Fund (Note 2e)	100,000	0
Operations Reserve (Note 2e)	<u>525,000</u>	<u>125,000</u>
	<u>758,773</u>	<u>246,054</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$1,115,554</u>	 <u>\$ 423,027</u>

APPROVED ON BEHALF OF THE BOARD:

Director _____

Director _____

(See accompanying Notes to Financial Statements)

PARKDALE FOOD CENTRE

AUDITED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
REVENUES		
City of Ottawa operational grant	\$ 84,058	\$ 82,410
Donations and fundraising	991,116	474,080
Food donations in-kind (Note 6)	224,137	260,465
Growing Futures revenue	55,840	95,367
Investment and other income	3,101	18,851
Other grants	374,026	191,321
Rental income	800	9,600
Subsidies	7,533	13,931
Federal Government COVID Wage Subsidies	10,606	0
Cooking for a Cause	475,126	0
Thirteen Social Enterprise	<u>164,682</u>	<u>191,258</u>
	<u>2,391,025</u>	<u>1,337,283</u>
EXPENSES		
Amortization	4,669	3,704
Bank charges and interest	429	673
Contract services	47,102	6,653
Food donations in-kind (Note 6)	224,137	260,465
Fundraising	24,985	20,613
Furniture and equipment	2,921	1,745
Groceries	239,166	201,567
Growing Futures expense	78,964	77,745
Insurance	2,528	1,639
Janitorial expense and supplies	27,522	11,452
Kitchen supplies	15,783	8,167
Memberships	337	337
OTF Grow Grant expenses	31,249	32,057
Office	15,654	18,495
Other program costs	11,189	13,260
Professional fees	5,247	5,154
Rental	61,556	61,556
Repairs and maintenance	1,618	3,356
Salaries and wages	453,529	315,018
Telephone and internet	2,219	2,176
Thirteen Social Enterprises expenses	142,391	182,047
Training	4,589	9,118
Vehicle and travel	5,396	5,063
Youth Now Program expenses	0	50,811
Cooking for a Cause	<u>475,126</u>	<u>0</u>
	<u>1,878,306</u>	<u>1,292,871</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>512,719</u>	\$ <u>44,412</u>

(See accompanying Notes to Financial Statements)

PARKDALE FOOD CENTRE
AUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Growing Futures Fund	Thirteen Social Enterprise Fund	Strategic Initiatives Reserve Fund	Operations Reserve	2020	2019
Balance, beginning of year	\$ 65,547	\$ 43,491	\$ 12,016	\$ 0	\$125,000	\$246,054	\$201,642
Net result for the year	513,552	(23,124)	22,291	0	0	512,719	44,412
Transfer from general fund	0	0	0	100,000	400,000		
Transfer to internally restricted fund	(500,000)	0	0	0	0		
Balance, end of year	\$ 79,099	\$ 20,367	\$ 34,307	\$100,000	\$525,000	\$758,773	\$246,054

(See accompanying Notes to Financial Statements)

PARKDALE FOOD CENTRE
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 512,719	\$ 44,412
Add: Amortization	<u>4,669</u>	<u>3,704</u>
	517,388	48,116
Changes in working capital:		
Accounts receivable	(57,909)	(27,142)
Inventory	(12,870)	(4,541)
Prepaid expenses	1,801	168
Accounts payable and accrued liabilities	164,894	9,709
Deferred contributions	14,843	33,820
HST recoverable	<u>(53,281)</u>	<u>(4,472)</u>
	<u>574,866</u>	<u>55,658</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments	(34,170)	8,342
Purchase of capital assets	<u>(10,471)</u>	<u>0</u>
	<u>(44,641)</u>	<u>8,342</u>
NET CHANGE IN CASH	530,225	64,000
CASH, beginning of year	<u>186,987</u>	<u>122,987</u>
CASH, end of year	<u><u>\$ 717,212</u></u>	<u><u>\$ 186,987</u></u>
REPRESENTED BY:		
Cash	<u><u>\$ 717,212</u></u>	<u><u>\$ 186,987</u></u>

(See accompanying Notes to Financial Statements)

PARKDALE FOOD CENTRE
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. PURPOSE OF THE ORGANIZATION

Parkdale Food Centre was incorporated on September 5, 1998 without share capital under the provisions of the laws of the Province of Ontario. It is a registered charity and is exempt from income taxes under the Income Tax Act. Its primary service involves providing food, education and other basic supplies to persons of low income.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. All donations of public stock are sold once received.

b. Inventory

Food which has been purchased from suppliers but not yet distributed is recorded on the statement of financial position at the lower of cost and net realizable value. The cost of inventory is determined on a first-in, first-out basis.

c. Capital assets and amortization

Purchases of capital property in excess of \$2,000 are capitalized and recorded at acquisition cost and are amortized on a straight-line basis over their estimated useful life.

<u>Assets</u>	<u>Rate</u>	<u>Basis</u>
Appliances	7 to 8 years	Straight-line
Vehicles	7 years	Straight-line

Capital assets that are purchased with grant contributions are reduced by the grant amount received and amortization is taken on the net amount.

PARKDALE FOOD CENTRE
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Revenue recognition

Parkdale Food Centre follows the deferral method of accounting for revenue.

Restricted revenue is recognized as revenue in the year in which the related expenses are incurred.

Unrestricted revenues for services provided under various programs is recognized when received or becomes receivable if the amounts can be reasonably estimated and collection is reasonably assured. Amounts received from customers in advance of performance being achieved are deferred. Interest income is recognized when earned.

e. Fund accounting

The Centre maintains the following internally-restricted funds:

The Growing Futures Restricted Fund is a social enterprise within Parkdale Food Centre. The annual income or loss of the program is internally restricted to finance future operations of Growing Futures.

The Thirteen Social Enterprise Fund is a social enterprise within Parkdale Food Centre. The annual income or loss of the program is internally restricted to finance future operations of The Thirteen Social Enterprise program.

The Operations Reserve is internally restricted to ensure ongoing financial stability in the event of an unexpected shortfall in revenue or other unforeseen events or circumstance. This fund is targeted to represent 3-4 months of operating costs.

The Strategic Initiatives Reserve Fund is internally restricted to fund strategic initiatives and social innovation in line with the Parkdale Food Centre Strategic Plan.

f. 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 as at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. As adjustments become necessary, they are reported in earnings in the period in which they become known.

PARKDALE FOOD CENTRE

NOTES TO AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Contributed goods and services

The work of Parkdale Food Centre is dependent on the voluntary services and goods provided by mainly individuals and organizations. The value of the donated services are not recognized in these statements due to the difficulty in determining their fair market value. Donated goods provided by the Ottawa Food Bank is valued at cost which is provided by the Ottawa Food Bank.

3. GUARANTEED INVESTMENT CERTIFICATES

The guaranteed investment certificates mature between January 2021 and September 2021, with interest rates ranging from 0.2% to 1.6%.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2020	Net Book Value 2019
Appliances	\$ 17,689	\$ (7,103)	\$ 10,586	\$ 2,049
Vehicles	<u>19,136</u>	<u>(15,036)</u>	<u>4,100</u>	<u>6,835</u>
TOTAL	<u>\$ 36,825</u>	<u>\$ (22,139)</u>	<u>\$ 14,686</u>	<u>\$ 8,884</u>

In the current year, \$69,951 in grant contributions was netted against the cost of capital assets as per the Centre's policy in Note 2c.

5. DEFERRED CONTRIBUTIONS

	2020	2019
Ontario Trillium Foundation Thirteen Social Enterprise	\$ 33,926	\$ 14,249
Ontario Trillium Foundation Grow Grant	0	42,968
Ottawa Community Foundation	10,294	14,323
United Way Packaging Grant	22,058	0
Ontario Infrastructure Grant	5,650	0
City of Ottawa Cooking for a Cause	249	0
Community Food Centres Canada	5,345	0
TGear Foundation	74,982	49,983
Second Harvest Grant	0	16,138
CB Powell Foundation	10,000	0
Lawson Foundation	<u>0</u>	<u>10,000</u>
Balance, end of year	<u>\$ 162,504</u>	<u>\$ 147,661</u>

PARKDALE FOOD CENTRE
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

6. FOOD IN-KIND DONATIONS

Parkdale Food Centre receives inventory from The Ottawa Food Bank to distribute to its neighbours. The value of the food in-kind donations has been estimated based on historical and current figures. Food in-kind donations also include amounts donated from the community. Includes food in-kind donations from the general community.

7. COMMITMENTS

The Centre has signed a lease with Somerset Community Health Centre until November 30, 2024. The base rent per month is \$5,130 with adjustments for additional expenses for commercial taxes and utility bills. The minimum rent for the next five years is:

2021	\$ 61,650
2022	61,650
2023	61,650
2024	<u>56,430</u>
	<u>\$ 241,380</u>

8. COVID-19 & OPERATIONS

In March 2020 the Government of Canada instituted emergency measures in response to the public health concerns originating from the spread of COVID-19.

As a result, the Centre adjusted and innovated its programming to best support the community in the face of this continuing challenge. In support of these changes, the Centre received significant financial supports including donations, COVID-19 specific funding and federal wage subsidies.

The Centre assessed the impact of COVID-19 on its balance sheet at December 31, 2020, based on information available at the time. It is not possible to reliably estimate the length and severity of the pandemic, nor the impact of financial position and financial results in the future period. The Centre has developed a plan that will ensure any exposure to the risks addressed in note 9 will be assessed regularly as new information is made available.

PARKDALE FOOD CENTRE
NOTES TO AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

9. FINANCIAL INSTRUMENTS

The Centre is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Centres risk exposure and concentration as of December 31, 2020:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. It is management's opinion that Parkdale Food Centre is not exposed to significant credit risk as its main credit risk relate to accounts receivable. The accounts receivable are managed and analyzed on an ongoing basis. Parkdale Food Centre is of the opinion that its exposure to bad debts is not significant.

Interest rate risk

Parkdale Food Centre's guaranteed investments earn interest at prevailing market rates. It is management's opinion that these investments do not expose Parkdale Food Centre to significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that Parkdale Food Centre will encounter difficulty in meeting obligations associated with financial liabilities. Sufficient short-term investments are on hand at any given time that can readily be converted to cash to cover any expected and unexpected operating requirements.