

PARKDALE FOOD CENTRE
Financial Statements
Year Ended December 31, 2019

PARKDALE FOOD CENTRE
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Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Parkdale Food Centre

Qualified Opinion

I have audited the financial statements of Parkdale Food Centre (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, 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 my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, 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 (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization 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 the Organization. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2019, current assets and net assets as at December 31, 2019. My audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Organization in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit 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 ASNPO, 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
(continues)

process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Ottawa, Ontario
September 17, 2020

MKP PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

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

PARKDALE FOOD CENTRE
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 186,987	\$ 122,987
Short-term investments <i>(Note 4)</i>	153,567	161,909
Accounts receivable (net of allowance for doubtful accounts) <i>(Note 5)</i>	54,720	27,578
Inventory <i>(Note 3)</i>	5,341	800
Harmonized sales tax recoverable	9,556	5,084
Prepaid expenses	3,972	4,140
	414,143	322,498
CAPITAL ASSETS <i>(Note 6)</i>	8,884	12,588
	\$ 423,027	\$ 335,086
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 29,312	\$ 19,603
Deferred revenue <i>(Note 7)</i>	147,661	113,841
	176,973	133,444
NET ASSETS		
General Fund	65,547	47,968
Growing Futures Fund, restricted fund	43,491	25,869
Thirteen Social Enterprise Fund, restricted fund	12,016	2,805
Restricted Fund	125,000	125,000
	246,054	201,642
	\$ 423,027	\$ 335,086

COMMITMENTS *(Note 9)*

ON BEHALF OF THE BOARD

_____ Director

_____ Director

PARKDALE FOOD CENTRE
Statement of Revenues and Expenditures
Year Ended December 31, 2019

	2019	2018
REVENUES		
City of Ottawa operational grant	\$ 82,410	\$ 80,794
Donations and fundraising	474,080	388,402
Food donations in-kind (Note 8)	260,465	160,367
Growing Futures revenues	95,367	115,617
Investment and other income	18,851	13,847
Other grants	191,321	129,932
Rental income	9,600	8,800
Subsidies	13,931	-
Thirteen Social Enterprise	191,258	140,049
	1,337,283	1,037,808
EXPENSES		
Amortization	3,704	3,855
Bank charges and interest	673	733
Contract services	6,653	6,592
Food donations in-kind (Note 8)	260,465	160,367
Fundraising	20,613	24,237
Furniture and equipment	1,745	3,333
Groceries	201,567	150,198
Growing futures expense	77,745	123,955
Insurance	1,639	1,565
Janitorial expense and supplies	11,452	2,847
Kitchen supplies	8,167	4,912
Memberships	337	25
OTF Grow Grant Expenses	32,057	15,272
Office	18,495	7,402
Other program costs	13,260	9,544
Professional fees	5,154	8,619
Rental	61,556	59,889
Repairs and maintenance	3,356	11,159
Salaries and wages	315,018	217,223
Telephone and internet	2,176	1,519
Thirteen Social Enterprises expenses	182,047	137,244
Training	9,118	4,944
Vehicle and travel	5,063	5,395
Youth Now Program Expenses	50,811	82,607
	1,292,871	1,043,436
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 44,412	\$ (5,628)

PARKDALE FOOD CENTRE
Statement of Changes in Net Assets
Year Ended December 31, 2019

	General Fund	Growing Futures Fund	Thirteen Social Enterprise Fund	Restricted Fund	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 47,968	\$ 25,869	\$ 2,805	\$ 125,000	\$ 201,642	\$ 207,270
Excess (deficiency) profit of revenues over expenses	17,579	17,622	9,211	-	44,412	(5,628)
NET ASSETS - END OF YEAR	\$ 65,547	\$ 43,491	\$ 12,016	\$ 125,000	\$ 246,054	\$ 201,642

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

The Restricted Fund holds cash equivalent to three or four months of operating costs in the event the Centre is not able to fulfill its financial obligation due to a shortfall in revenues.

PARKDALE FOOD CENTRE
Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 44,412	\$ (5,628)
Item not affecting cash:		
Amortization of capital assets	3,704	3,855
	<u>48,116</u>	<u>(1,773)</u>
Changes in non-cash working capital:		
Accounts receivable	(27,142)	(15,813)
Inventory	(4,541)	-
Accounts payable and accrued liabilities	9,709	(6,552)
Deferred income	33,820	79,706
Prepaid expenses	168	(156)
Harmonized sales tax payable	(4,472)	(603)
Employee deductions payable	-	(15,959)
	<u>7,542</u>	<u>40,623</u>
Cash flow from operating activities	<u>55,658</u>	<u>38,850</u>
FINANCING ACTIVITY		
Short-term investments	8,342	(75,435)
Cash flow from (used by) financing activity	<u>8,342</u>	<u>(75,435)</u>
INCREASE (DECREASE) IN CASH FLOW	64,000	(36,585)
Cash - beginning of year	<u>122,987</u>	<u>159,572</u>
CASH - END OF YEAR	\$ 186,987	\$ 122,987

PARKDALE FOOD CENTRE
Notes to Financial Statements
Year Ended December 31, 2019

1. PURPOSE OF THE ORGANIZATION

The organization 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. MANAGEMENT OF CAPITAL

As a not-for-profit entity, the organization's operations are reliant on revenues generated annually. The organization has accumulated unrestricted net assets over its history. The accumulated net assets are retained as working capital which may be required from time to time due to timing delays in receiving external funding. All of the unrestricted net asset balances are available for the use of the organization at the board's discretion.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Financial instruments policy

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.

Measurement uncertainty

When preparing financial statements according to ASNFPPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the organization may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, useful lives of capital assets, asset impairments, employee compensation plans, employee benefit plans.

Short-term investments

Short-term investments consist of guaranteed investment certificates with maturity dates ranging from 100 days to 14 months from date of acquisition. All donations of public stocks are sold once received.

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PARKDALE FOOD CENTRE
Notes to Financial Statements
Year Ended December 31, 2019

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

Revenue recognition

Parkdale Food Centre follows 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. Donations in kind are not recorded on the books. Interest income is recognized when earned.

Contributed Good and Services

The work of Parkdale Food Centre is dependent on the voluntary services and goods provided by many individuals and organizations. The value of donated services are not recognized in these statements due to the difficulty of 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.

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 realized value. The cost of inventory is determined on a first-in, first-out basis.

Capital assets

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

Appliances	7 to 8 years	straight-line method
Office equipment	5 years	straight-line method
Vehicles	7 years	straight-line method

4. SHORT-TERM INVESTMENTS

	<u>Maturity Date</u>	<u>2019</u>	<u>Amortized Cost</u>
Toronto Dominion GIC at 1.60%	2021-09-09	\$ 5,569	\$ 5,541
Toronto Dominion GIC at 1.90%	2021-01-03	5,912	5,895
Toronto Dominion GIC at 1.30%	2020-01-10	50,997	50,832
Toronto Dominion GIC at 1.20%	2020-04-01	40,543	40,531
Toronto Dominion GIC at 1.30%	2020-01-26	50,546	50,412
		\$ 153,567	\$ 153,211

5. ACCOUNTS RECEIVABLE

In the current and prior year there are no allowance for doubtful accounts recognized.

PARKDALE FOOD CENTRE
Notes to Financial Statements
Year Ended December 31, 2019

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Appliances	\$ 7,217	\$ 5,168	\$ 2,049	\$ 3,020
Vehicle	19,136	12,301	6,835	9,568
	<u>\$ 26,353</u>	<u>\$ 17,469</u>	<u>\$ 8,884</u>	<u>\$ 12,588</u>

7. DEFERRED REVENUE

	2019	2018
Thirteen Social Enterprise revenues	\$ -	\$ 10,990
Ottawa Community Foundation	14,323	17,572
CFCC	-	10,000
Envirocentre Ottawa Sustainability Fund	-	9,680
Ontario Trillium Foundation Grow Grant	42,968	55,966
TGear Foundation	49,983	9,633
Second Harvest Grant	16,138	-
Lawson Foundation	10,000	-
Ontario Trillium Foundation Thirteen Social Enterprise	14,249	-
	<u>\$ 147,661</u>	<u>\$ 113,841</u>

8. FOOD IN-KIND DONATIONS

Parkdale Food Centre receives inventory from The Ottawa Food Bank to distribute to neighbours. The value of the food in-kind donations is calculated by The Ottawa Food Bank.

9. COMMITMENTS

Parkdale Food Centre has entered into a rental service agreement with Canadian Linen and Uniform Service for a 60 month term which started December 9, 2019.

The organization has signed a lease with Somerset West Community Health Centre until November 30, 2024. The base rent cost per month is \$5,130 with adjustments for additional expenses for commercial taxes and utility bills in 2021. The minimum rent for the next five years is;

2020	\$ 61,560
2021	61,560
2022	61,560
2023	61,560
	<u>\$ 246,240</u>

PARKDALE FOOD CENTRE
Notes to Financial Statements
Year Ended December 31, 2019

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The organization 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 organization's risk exposure and concentration as of December 31, 2019.

(a) 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 its account 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.

(b) 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.

(c) 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.

(d) Additional risk

There has been no significant change in the level of risk during the the year.
