

Financial Statements of

**PARTNERS IN MISSION
FOOD BANK**

Year ended December 31, 2023

PARTNERS IN MISSION FOOD BANK

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Partners in Mission Food Bank

Qualified Opinion

We have audited the financial statements of Partners in Mission Food Bank (the Food Bank), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of the Food Bank as at December 31, 2023 and its results of operations, its changes in net assets 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 Food Bank derives some of its income from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Food Bank.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2023 and December 31, 2022
- the donations revenue and excess of revenue over expenses reported in the statements of operations for the years ended December 31, 2023 and December 31, 2022
- the unrestricted net assets at the beginning and end of year, reported in the statements of changes in net assets for the years ended December 31, 2023 and December 31, 2022
- the excess of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2023 and December 31, 2022



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Our opinion on the financial statements for the year ended December 31, 2022 was qualified accordingly because of the possible effects of this limitation in scope.

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 auditor's report.

We are independent of the Food Bank 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 Food Bank'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 Food Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Food Bank'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 the 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.



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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 Food Bank'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 Food Bank'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 Food Bank 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slightly slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 3, 2024

PARTNERS IN MISSION FOOD BANK

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 626,075	\$ 593,014
Accounts receivable and accrued interest	162,643	116,930
Investments (note 2)	3,869,581	2,987,666
Prepaid expenses	2,123	1,769
	<u>4,660,422</u>	<u>3,699,379</u>
Capital assets (note 3)	416,452	442,948
	<u>\$ 5,076,874</u>	<u>\$ 4,142,327</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 62,548	\$ 86,781
Long-term liabilities:		
Deferred capital contributions	135,327	155,925
	<u>197,875</u>	<u>242,706</u>
Net assets:		
Unrestricted	233,228	227,330
Internally restricted - operating reserve fund (note 6)	1,000,000	1,000,000
Internally restricted - short-term capital reserve fund (note 6)	300,000	300,000
Internally restricted - future infrastructure capital reserve fund (note 6)	3,064,646	2,085,268
Investment in capital assets (note 5)	281,125	287,023
	<u>4,878,999</u>	<u>3,899,621</u>
Subsequent event (note 9)		
	<u>\$ 5,076,874</u>	<u>\$ 4,142,327</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

PARTNERS IN MISSION FOOD BANK

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Donated food (gifts-in-kind)	\$ 3,392,168	\$ 2,812,742
Non-receipted income	1,418,271	1,130,114
Donations	653,442	573,208
Interest	172,602	48,178
Government grants	4,840	76,837
	<u>5,641,323</u>	<u>4,641,079</u>
Expenses:		
Distributed food (gifts-in-kind)	3,392,168	2,812,742
Salaries and benefits	429,534	452,835
Food purchases	676,784	452,279
Administration	47,443	58,055
Repairs and maintenance	17,563	40,110
Delivery	32,534	36,984
Other occupancy costs	23,894	23,446
Audit fees	8,611	11,849
Insurance	9,383	8,414
Advertising	682	3,828
Education and seminars	4,093	2,530
Interest charges	1,134	605
	<u>4,643,823</u>	<u>3,903,677</u>
Excess of revenue over expenses before the undernoted items	997,500	737,402
Capital income (expense):		
Amortization of deferred capital contributions	20,598	15,083
Amortization of capital assets	(38,720)	(31,911)
	<u>(18,122)</u>	<u>(16,828)</u>
Excess of revenue over expenses	<u>\$ 979,378</u>	<u>\$ 720,574</u>

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	Internally restricted						2023 Total	2022 Total
	Unrestricted	Operating reserve fund	Short-term capital reserve fund	Future infrastructure capital reserve fund	Investment in capital assets			
Net assets, beginning of year	\$ 227,330	\$ 1,000,000	\$ 300,000	\$ 2,085,268	\$ 287,023	\$ 3,899,621	\$ 3,179,047	
Excess of revenue over expenses (note 5)	997,500	-	-	-	(18,122)	979,378	720,574	
Net change in investment in capital assets (note 5)	(12,224)	-	-	-	12,224	-	-	
Interfund transfers (note 7)	(979,378)	-	-	979,378	-	-	-	
Net assets, end of year	\$ 233,228	\$ 1,000,000	\$ 300,000	\$ 3,064,646	\$ 281,125	\$ 4,878,999	\$ 3,899,621	

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 979,378	\$ 720,574
Items not involving cash:		
Amortization of deferred capital contributions	(20,598)	(15,083)
Amortization of capital assets	38,720	31,911
Changes in non-cash operating working capital:		
Accounts receivable and accrued interest	(45,713)	(53,649)
Prepaid expenses	(354)	53
Accounts payable and accrued liabilities	(24,233)	54,274
Deferred revenue	-	(60,003)
	927,200	678,077
Financing activities:		
Additions to deferred capital contributions	-	88,255
Investing activities:		
Purchase of investments	(881,915)	(970,145)
Purchase of capital assets	(12,224)	(122,293)
	(894,139)	(1,092,438)
Increase (decrease) in cash	33,061	(326,106)
Cash, beginning of year	593,014	919,120
Cash, end of year	\$ 626,075	\$ 593,014

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements

Year ended December 31, 2023

Partners in Mission Food Bank (the "Food Bank") is incorporated without share capital under the laws of Ontario, by Letters Patent. The Food Bank operates a community food bank and is a registered charity under the Income Tax Act (Canada). Accordingly, the Food Bank is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

(a) Revenue recognition:

The Food Bank follows the deferral method of accounting for contributions, which include donations.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance basis, at a rate corresponding with the amortization rate for the related capital assets.

Investment income is recognized as revenue when earned.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Amortization is provided on the declining balance basis using the following annual rates:

Asset	Rate
Building	5%
Computer software	100%
Vehicles	10% to 20%
Equipment	5% to 20%
Office furniture and computer hardware	20% to 30%
Outdoor equipment	5% to 20%
Building improvements	5% to 20%

Construction-in-progress is not amortized until the project is complete and the facilities come into use.

The carrying amount of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(c) Gifts-in-kind:

Gifts-in-kind are recorded at their estimated fair market value as both revenue and expenses on the Statement of Operations, when fair market value can be reasonably estimated and when the Food Bank would otherwise have required these items.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Food Bank has not elected to subsequently carry any financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Food Bank determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Food Bank expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Impairment of long-lived assets:

The Food Bank periodically reviews the useful lives and the carrying values of its long-lived assets. The Food Bank reviews for impairment long-lived asset groups whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the undiscounted future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value. When quoted market prices are not available, the Food Bank uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(f) Use of estimates:

The preparation of financial statements 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 date of the financial statements and the reported amounts of revenue and expenses during the period. Items subject to such estimates and assumptions include the amount recorded for donated food and distributed food (gifts-in-kind). Actual results could differ from those estimates.

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of time each year to assist the entity in carrying out its service activities. Because of the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Investments:

Investments are comprised of guaranteed investment certificates and term deposits with maturity dates ranging from February 6, 2024 to December 13, 2024 and interest rates ranging from 4.40% to 5.00% per annum (2022 - 1.25% to 4.85% per annum). Upon maturity, investments have been subsequently reinvested in guaranteed investment certificates.

3. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 67,252	\$ -	\$ 67,252	\$ 67,252
Building	305,566	190,500	115,066	121,122
Computer software	2,456	2,456	-	-
Vehicles	157,167	79,068	78,099	95,681
Equipment	95,758	45,662	50,096	41,162
Office furniture and computer hardware	48,235	42,729	5,506	8,506
Outdoor equipment	67,949	34,050	33,899	35,741
Building improvements	128,648	62,114	66,534	73,484
	\$ 873,031	\$ 456,579	\$ 416,452	\$ 442,948

Cost and accumulated amortization of capital assets at December 31, 2022 amounted to \$860,806 and \$417,858, respectively.

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$5,993 (2022 - \$5,040), which include amounts payable for harmonized sales tax and payroll-related taxes.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Investment in capital assets:

(a) The investment in capital assets is as follows:

	2023	2022
Capital assets	\$ 416,452	\$ 442,948
Less: Amounts financed by deferred capital contributions	(135,327)	(155,925)
	<u>\$ 281,125</u>	<u>\$ 287,023</u>

(b) The change in investment in capital assets is calculated as follows:

	2023	2022
Excess of expenses over revenue:		
Amortization of deferred capital contributions	\$ 20,598	\$ 15,083
Amortization of capital assets	(38,720)	(31,911)
	<u>(18,122)</u>	<u>(16,828)</u>
Net change in investment in capital assets:		
Purchase of capital assets	12,224	122,293
Amounts funded by deferred contributions	-	(88,255)
	<u>12,224</u>	<u>34,038</u>
	<u>\$ (5,898)</u>	<u>\$ 17,210</u>

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2023

6. Internally restricted:

The Food Bank's Board of Directors approved the following internally restricted funds:

Operating reserve fund:

The primary objective is to set aside funds to ensure the Food Bank will be able to provide operating expenses for purchases and salaries to meet the needs of day-to-day operations.

Short-term capital reserve fund:

The primary objective is to set aside funds for short-term capital requirements.

Future infrastructure capital reserve fund:

Funds are to be set aside for long-term capital projects to be undertaken.

7. Interfund transfers:

During 2023, the Board of Directors approved to allocate the 2023 excess of revenue over expenses to the future infrastructure capital reserve fund.

8. Financial risks and concentration of risk:

The Food Bank manages its investment portfolio to earn investment income and invests according to a Board policy. The Food Bank is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Food Bank believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments.

Additionally, the Food Bank believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

9. Subsequent event:

Subsequent to year-end, the Food Bank signed an Agreement of Purchase and Sale for a capital asset in the amount of \$3,287,000 that will be partially funded through the proceeds of long-term debt and internal reserves.