
**COMMUNITY FOOD
CENTRES CANADA**

FINANCIAL STATEMENTS

MARCH 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Community Food Centres Canada,

Opinion

We have audited the financial statements of Community Food Centres Canada (the organization), which comprise the statement of financial position as at March 31, 2020, 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, the accompanying financial statements present fairly, in all material respects, the financial position of Community Food Centres Canada as at March 31, 2020 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 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 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

September 24, 2020
Toronto, Ontario

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	2020	2019
ASSETS		
Current assets		
Cash		
Guaranteed investment certificates (note 3)	\$ 2,795,318	\$ 1,684,303
Amounts receivable	1,710,035	1,545,000
HST rebate recoverable	228,909	184,926
Prepaid expenses	45,815	40,363
	<u>122,795</u>	<u>45,165</u>
	<u>\$ 4,902,872</u>	<u>\$ 3,499,757</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 137,902	\$ 147,330
Deferred contributions (note 4)	<u>2,313,804</u>	<u>1,218,366</u>
	<u>2,451,706</u>	<u>1,365,696</u>
Net assets		
Unrestricted	951,166	634,061
Designated (note 6)	<u>1,500,000</u>	<u>1,500,000</u>
	<u>2,451,166</u>	<u>2,134,061</u>
	<u>\$ 4,902,872</u>	<u>\$ 3,499,757</u>

Approved on behalf of the Board:

 Director

Kwame McKenzie, Director

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2020

	2020			2019
	Unrestricted	Designated	Total	Total
Balance, beginning of year	\$ 634,061	\$1,500,000	\$2,134,061	\$2,069,657
Excess of revenue over expenses for the year	<u>317,105</u>	<u>-</u>	<u>317,105</u>	<u>64,404</u>
Balance, end of year	<u>\$ 951,166</u>	<u>\$1,500,000</u>	<u>\$2,451,166</u>	<u>\$2,134,061</u>

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
REVENUE		
Contributions		
Foundations	\$ 4,611,823	\$ 4,658,987
Corporations	1,355,815	1,174,979
Government	789,889	784,876
Individuals	641,850	452,557
Interest	68,941	38,260
Other	<u>82,635</u>	<u>81,607</u>
	<u>7,550,953</u>	<u>7,191,266</u>
EXPENSES		
Program		
Affiliate Community Food Centres (note 5)	2,783,418	3,256,580
Personnel	1,643,341	1,492,392
Grants	593,080	491,312
Communications	213,222	252,470
Evaluation	193,253	127,314
Knowledge exchange	156,779	162,809
Travel	42,947	87,511
Purchased services	34,098	41,952
Administrative		
Personnel	172,960	193,118
Office and general	168,362	115,720
Professional fees	132,131	170,365
Occupancy	95,867	105,533
Fundraising		
Personnel	654,550	408,231
Development	<u>349,840</u>	<u>221,555</u>
	<u>7,233,848</u>	<u>7,126,862</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 317,105</u>	<u>\$ 64,404</u>

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 317,105	\$ 64,404
Net change in non-cash working capital items (see below)	<u>958,945</u>	<u>(672,189)</u>
Net cash generated from (used for) operating activities	1,276,050	(607,785)
INVESTING ACTIVITIES		
Guaranteed investment certificates redeemed (purchased)	<u>(165,035)</u>	<u>1,100,000</u>
NET INCREASE IN CASH FOR THE YEAR	1,111,015	492,215
Cash, beginning of year	<u>1,684,303</u>	<u>1,192,088</u>
CASH, END OF YEAR	<u>\$ 2,795,318</u>	<u>\$ 1,684,303</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Amounts receivable	\$ (43,983)	\$ 84,383
HST rebate recoverable	(5,451)	(3,060)
Prepaid expenses	(77,630)	(14,877)
Prepaid grants	-	100,000
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(9,430)	(100,605)
Deferred contributions	<u>1,095,439</u>	<u>(738,030)</u>
	<u>\$ 958,945</u>	<u>\$ (672,189)</u>

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

Community Food Centres Canada (the organization) is incorporated without share capital under the provisions of the Canada Not-for-profit Corporations Act. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

Community Food Centres Canada provides resources and a proven approach to partner organizations across Canada to create Community Food Centres that bring people together to grow, cook, share, and advocate for good food. The organization also works with the broader food movement to build greater capacity for impact and to empower communities to work toward a healthy and fair food system.

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

The organization follows the deferral method of revenue recognition for contributions. Externally restricted contributions, including restricted 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. Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received.

Donated materials and services

Donated materials and services which are normally purchased by the organization are not recorded in the accounts. Volunteers contribute their time to assist the organization in delivering its services. Because of the difficulty of determining the fair value, donated services are not recognized in the financial statements.

Other revenue

Included in other revenue are event ticket sales. Ticket sale revenue is recognized in the year in which the event takes place.

Interest income

Interest income is recognized as revenue over the term of the guaranteed investment certificates.

Allocation of expenses

The organization allocates personnel costs based on time spent.

2. FINANCIAL INSTRUMENTS

The organization's financial instruments include cash, guaranteed investment certificates, 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. Guaranteed investment certificates are recorded at cost plus accrued interest, which approximates fair value.

3. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates are issued by a major Canadian chartered bank, bear interest at rates of 0.25% to 2.40% and have maturity dates ranging from May 2020 to June 2020.

COMMUNITY FOOD CENTRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

4. DEFERRED CONTRIBUTIONS

Deferred contributions comprise amounts received from the following sources:

	2020	2019
Foundations	\$ 1,885,984	\$ 1,108,031
Corporations	342,605	110,335
Individuals	<u>85,215</u>	<u>-</u>
	<u>\$ 2,313,804</u>	<u>\$ 1,218,366</u>

Continuity of deferred contributions for the year is as follows:

Deferred contributions, beginning of year	\$ 1,218,366	\$ 1,956,395
Add cash received from contributions	8,494,815	6,333,370
Less contribution revenue recognized	<u>(7,399,377)</u>	<u>(7,071,399)</u>
Deferred contributions, end of year	<u>\$ 2,313,804</u>	<u>\$ 1,218,366</u>

5. AFFILIATE COMMUNITY FOOD CENTRES

A core aspect of the organization's mission is to create affiliate Community Food Centres across Canada that operate as independent organizations. During the year, the organization paid \$2,783,418 to affiliate Community Food Centres to fund their program expenses. As a result of Covid-19 related administrative challenges, budgeted payments to Community Food Centres of \$733,000 for March 2020 were instead paid and expensed early in fiscal 2021.

6. DESIGNATED NET ASSETS

The organization's activities include long-term commitments to funding its affiliates and other projects and, accordingly, the organization has established an internally restricted reserve for this and other strategic purposes including future sustainability. During the year no amounts were added to the reserve (no amounts were added for the year ended March 31, 2019).

7. LEASE COMMITMENTS

The organization leases office space in Toronto, Canada. Minimum annual lease payments under the lease agreements, which expire in June 2022, are as follows:

2021	\$ 112,651
2022	70,218
2023	17,743

8. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. This presents uncertainty regarding the organization's future cash flows. The impact of social distancing may significantly impact the organization's future operations. An estimate of the financial impact of the pandemic on these financial statements is not practicable and therefore no adjustments related thereto have been made.