
**COMMUNITY FOOD
CENTRES CANADA**

FINANCIAL STATEMENTS

MARCH 31, 2023

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, 2023, 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, 2023 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

June 21, 2023
Toronto, Ontario

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023

	2023	2022
ASSETS		
Current assets		
Cash	\$ 6,992,376	\$ 7,248,550
Guaranteed investment certificates (note 3) Amounts receivable	45,000	45,000
HST rebate recoverable	308,640	354,757
Prepaid expenses	64,296	39,142
	<u>32,272</u>	<u>66,240</u>
	7,442,584	7,753,689
Long-term assets		
Capital assets (note 4)	<u>7,657,175</u>	<u>6,540,781</u>
	<u>\$ 15,099,759</u>	<u>\$ 14,294,470</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities Current portion of mortgage payable (note 7) Deferred contributions (note 8)	\$ 360,167	\$ 180,877
	3,513,085	148,907
	<u>929,433</u>	<u>2,880,384</u>
Long-term liabilities	<u>4,802,685</u>	<u>3,210,168</u>
Long-term portion of mortgage payable (note 7) Deferred capital contributions (note 9)	-	3,513,085
	<u>5,173,631</u>	<u>2,735,000</u>
	<u>5,173,631</u>	<u>6,248,085</u>
Total liabilities	<u>9,976,316</u>	<u>9,458,253</u>
Net assets		
Unrestricted		
Designated (note 13)	1,623,443	1,336,217
	<u>3,500,000</u>	<u>3,500,000</u>
Total net assets	<u>5,123,443</u>	<u>4,836,217</u>
	<u>\$ 15,099,759</u>	<u>\$ 14,294,470</u>

Approved on behalf of the Board:

 Director

 Director

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2023

	2023			2022
	Unrestricted	Designated (note 13)	Total	Total
Balance, beginning of year	\$ 1,336,217	\$ 3,500,000	\$ 4,836,217	\$ 4,543,767
Excess of revenue over expenses for the year	<u>287,226</u>	<u>-</u>	<u>287,226</u>	<u>292,450</u>
Balance, end of year	<u>\$ 1,623,443</u>	<u>\$ 3,500,000</u>	<u>\$ 5,123,443</u>	<u>\$ 4,836,217</u>

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
REVENUE		
Contributions		
Foundations	\$ 7,182,993	\$ 5,978,499
Government (note 10)	1,712,599	20,367,737
Individuals	991,365	1,121,352
Corporations	650,334	1,109,632
Interest	130,071	27,962
Other	<u>54,841</u>	<u>231,387</u>
	<u>10,722,203</u>	<u>28,836,569</u>
EXPENSES		
Program		
Affiliate Community Food Centres (notes 11 and 12)	3,170,078	2,658,468
Personnel	2,271,359	1,985,855
Grants (note 11)	1,956,344	20,576,180
Other	542,247	597,438
Administrative		
Personnel	881,325	762,049
Professional fees	193,636	323,416
Office and general	104,544	112,982
Occupancy (note 7)	101,853	273,182
Fundraising		
Personnel	970,606	889,199
Development	<u>242,985</u>	<u>365,350</u>
	<u>10,434,977</u>	<u>28,544,119</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 287,226</u>	<u>\$ 292,450</u>

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 287,226	\$ 292,450
Net change in non-cash working capital items (see below)	<u>(1,716,730)</u>	<u>(596,444)</u>
Net cash used for operating activities	<u>(1,429,504)</u>	<u>(303,994)</u>
INVESTING ACTIVITIES		
Guaranteed investment certificates redeemed	-	1,200,000
Capital assets purchased	<u>(1,116,394)</u>	<u>(414,881)</u>
Net cash generated from (used for) investing activities	<u>(1,116,394)</u>	<u>785,119</u>
FINANCING ACTIVITIES		
Mortgage principal repayments made	(148,907)	(144,183)
Principal repayment of loan	-	(1,000,000)
Capital contributions received	<u>2,438,631</u>	<u>610,000</u>
Net cash generated from (used for) financing activities	<u>2,289,724</u>	<u>(534,183)</u>
NET DECREASE IN CASH FOR THE YEAR	(256,174)	(53,058)
Cash, beginning of year	<u>7,248,550</u>	<u>7,301,608</u>
CASH, END OF YEAR	<u>\$ 6,992,376</u>	<u>\$ 7,248,550</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Amounts receivable	\$ 46,116	\$ (63,623)
HST rebate recoverable	(25,154)	(12,568)
Prepaid expenses	33,968	5,528
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	179,291	(38,057)
Deferred contributions	<u>(1,950,951)</u>	<u>(487,724)</u>
	<u>\$ (1,716,730)</u>	<u>\$ (596,444)</u>

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

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. Externally 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. Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received. Canada Emergency Wage Subsidy is recognized as revenue in the period to which it relates.

Contributed materials and services

Contributed 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 when earned.

Allocation of expenses

The organization allocates personnel costs based on time spent.

Capital assets

Capital asset purchases, including costs related to bringing the building to completion, are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives. Management will assess the useful lives of the various components of the building once they are available for use (see note 4).

COMMUNITY FOOD CENTRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

2. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS

The organization's financial instruments include cash, guaranteed investment certificates, amounts receivable, mortgage payable and accounts payable and accrued liabilities. Guaranteed investment certificates are recorded at cost plus accrued interest, which approximates fair value. All other financial instruments are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value.

Fluctuations in market interest rates do not affect future cash flows required for the organization's fixed-rate mortgage obligation up to July 2023, when the mortgage is due (see note 7). It is management's opinion that the organization's other financial instruments are not exposed to significant interest, currency, market or credit risk.

3. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates are issued by a major Canadian chartered bank, bear interest at the bank's prime rate less 2.70% and mature between June 2023 and December 2023.

4. CAPITAL ASSETS

Capital assets comprise the following:

	Cost	Accumulated Amortization	2023 Net	2022 Net
Building	\$ 4,469,269	\$ -	\$ 4,469,269	\$ 4,469,269
Building improvements	1,662,717	-	1,662,717	546,323
Land	<u>1,525,189</u>	<u>-</u>	<u>1,525,189</u>	<u>1,525,189</u>
	<u>\$ 7,657,175</u>	<u>\$ -</u>	<u>\$ 7,657,175</u>	<u>\$ 6,540,781</u>

The building at 340 Gerrard Street East, Toronto and related building improvements will be amortized once the building is available for use, which is estimated to be in fiscal 2024.

5. LINE OF CREDIT

The organization has a \$200,000 line of credit which bears interest at the bank's prime rate plus 1.5%. The line of credit is unsecured and repayable on demand. As at March 31, 2023, the balance payable on the line of credit was \$nil (\$nil payable as at March 31, 2022).

6. LEASE COMMITMENTS

The organization leases office space in Toronto, Canada. Minimum annual lease payments under the terms of the lease agreements, which expire in December 2024, are as follows:

2024	\$ 107,028
2025	72,922

COMMUNITY FOOD CENTRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

7. MORTGAGE PAYABLE

Mortgage payable at year end is as follows:

	2023	2022
3.25% annual fixed interest rate Vancity Community Investment Bank first mortgage, secured by the building at 340 Gerrard Street East, Toronto, due July 2023, amortized over 20 years with monthly blended monthly payments of \$22,078	\$ 3,513,085	\$ 3,661,991
Less current portion	<u>(3,513,085)</u>	<u>(148,907)</u>
Long-term portion	<u>\$ -</u>	<u>\$ 3,513,084</u>

Annual principal repayment requirements are as follows:

2024 \$ 3,513,085

8. DEFERRED CONTRIBUTIONS

Deferred contributions comprise amounts received from the following sources:

	2023	2022
Corporations	\$ 578,148	\$ 399,945
Foundations	279,285	1,389,147
Government		
Agriculture and Agri-Food Canada	-	1,091,292
Other	<u>72,000</u>	<u>-</u>
	<u>\$ 929,433</u>	<u>\$ 2,880,384</u>

Continuity of deferred contributions for the year is as follows:

Deferred contributions, beginning of year	\$ 2,880,384	\$ 3,368,109
Add cash received from contributions	8,586,340	28,089,495
Less contribution revenue recognized	<u>(10,537,291)</u>	<u>(28,577,220)</u>
Deferred contributions, end of year	<u>\$ 929,433</u>	<u>\$ 2,880,384</u>

COMMUNITY FOOD CENTRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

9. DEFERRED CAPITAL CONTRIBUTIONS

Continuity of deferred capital contributions for the year is as follows:

	2023	2022
Deferred capital contributions, beginning of year	\$ 2,735,000	\$ 2,125,000
Capital contributions received	<u>2,438,631</u>	<u>610,000</u>
Deferred capital contributions, end of year	<u>\$ 5,173,631</u>	<u>\$ 2,735,000</u>

10. GOVERNMENT CONTRIBUTIONS

Contribution revenue recognized from government sources for the year is as follows:

	2023	2022
Agriculture and Agri-Food Canada	\$ 1,050,936	\$ 19,814,266
Public Health Agency of Canada	646,663	553,471
Province of Ontario	<u>15,000</u>	<u>-</u>
	<u>\$ 1,712,599</u>	<u>\$ 20,367,737</u>

11. COVID-19 PROGRAM GRANTS

In response to the COVID-19 pandemic, the organization launched a campaign to raise funds for local partners to deliver emergency food and food programs across Canada. The program ended on April 30, 2022 with a final distribution to local organizations and partners across Canada of \$950,734 (\$20.2 million in 2022).

12. AFFILIATE COMMUNITY FOOD CENTRES

A core aspect of the organization's mission is to co-create affiliate Community Food Centres across Canada that operate as independent organizations. During the year, the organization paid \$3,170,078 to affiliate Community Food Centres to fund their program expenses (\$2,658,468 in fiscal 2022).

13. 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 designated net assets (\$nil in 2022).

14. SUBSEQUENT EVENT

On May 19, 2023, the Canadian Union of Public Employees was certified to represent the organization's staff in the collective bargaining process, which is to begin in fiscal 2024.