

**GLEANERS FOODBANK (QUINTE) INC.**

**FINANCIAL STATEMENTS**

March 31, 2019

**INDEPENDENT AUDITOR'S REPORT**

To the Members of  
**GLEANERS FOODBANK (QUINTE) INC.**

***Qualified Opinion***

We have audited the financial statements of Gleaners Foodbank (Quinte) Inc. (the Corporation), which comprise the statement of financial position as at March 31, 2019, and the statements of revenue, expenses and changes in net assets and statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory information.

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 the Corporation as at March 31, 2019 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 Qualified Opinion***

In common with many not-for-profit organizations, the Corporation derives revenue from donations and 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 Corporation. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified 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 report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

***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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

## INDEPENDENT AUDITOR'S REPORT (continued)

### *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.

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 Corporation'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 Corporation'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 Corporation 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.

Belleville, Ontario  
September 9, 2019

  
CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

Welch LLP®

An Independent Member of BKR International



**GLEANERS FOODBANK (QUINTE) INC.**  
*Also Operating as Tri-County Food Network*  
*(Incorporated without share capital under the laws of Ontario)*  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2019**

**ASSETS**

	Operating Fund	Capital Asset Fund	2019	2018
<b>CURRENT ASSETS</b>				
Cash	\$ 455,793	\$ -	\$ 455,793	\$ 287,449
Investment - Note 4	300,886	-	300,886	295,988
Accounts receivable	6,983	6,484	13,467	19,253
Prepaid expenses	6,818	-	6,818	3,818
Due (to) from other fund	(251,911)	251,911	-	-
	<u>518,569</u>	<u>258,395</u>	<u>776,964</u>	<u>606,508</u>
<b>TANGIBLE CAPITAL ASSETS</b>				
- Note 5	<u>-</u>	<u>791,473</u>	<u>791,473</u>	<u>767,694</u>
	<u><u>\$ 518,569</u></u>	<u><u>\$ 1,049,868</u></u>	<u><u>\$ 1,568,437</u></u>	<u><u>\$ 1,374,202</u></u>

**LIABILITIES AND NET ASSETS**


**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 26,805	\$ -	\$ 26,805	\$ 30,173
Government remittances payable	4,358	-	4,358	6,964
Deferred contributions - Note 7	<u>136,973</u>	<u>-</u>	<u>136,973</u>	<u>165,439</u>
	<u>168,136</u>	<u>-</u>	<u>168,136</u>	<u>202,576</u>

**NET ASSETS**

Invested in capital assets	-	791,473	791,473	767,694
Other - Note 9	350,433	-	350,433	233,785
Unrestricted	<u>-</u>	<u>258,395</u>	<u>258,395</u>	<u>170,147</u>
	<u>350,433</u>	<u>1,049,868</u>	<u>1,400,301</u>	<u>1,171,626</u>
	<u><u>\$ 518,569</u></u>	<u><u>\$ 1,049,868</u></u>	<u><u>\$ 1,568,437</u></u>	<u><u>\$ 1,374,202</u></u>

Approved by the Board:



Director

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Director

(See accompanying notes)

**GLEANERS FOODBANK (QUINTE) INC.**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED MARCH 31, 2019**

	Operating Fund		Capital Asset Fund	
	2019	2018	2019	2018
<b>REVENUE</b>				
Donations	\$ 237,231	\$ 208,655	\$ -	\$ -
Donations in memoriam	4,887	3,905	-	-
United Way	13,530	14,603	-	-
Foundation grants	142,101	119,035	154,365	-
Government and wage subsidy	23,460	18,639	-	-
Fundraising	80,732	70,393	-	-
Solar panel energy income	-	-	9,037	13,838
Other	5,401	3,991	-	-
Municipal Grants	10,000	-	82,000	-
	<u>517,342</u>	<u>439,221</u>	<u>245,402</u>	<u>13,838</u>
<b>EXPENSES</b>				
Amortization of tangible capital assets	-	-	20,071	30,901
Amortization of intangible capital assets	-	-	-	2,473
Food purchases and delivery	141,873	112,296	-	-
Wages and benefits	268,163	228,730	-	-
Mortgage interest	-	-	-	615
Professional fees	7,672	14,429	-	-
Fundraising	24,893	23,874	-	-
Insurance and protection services	7,002	6,946	-	-
Office and sundry	28,369	27,244	-	-
Telephone	2,704	2,857	-	-
Vehicle operation	3,887	9,107	-	-
Warehouse maintenance	-	-	9,404	47,323
Utilities	20,031	20,706	-	-
	<u>504,594</u>	<u>446,189</u>	<u>29,475</u>	<u>81,312</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	12,748	(6,968)	215,927	(67,474)
<b>BALANCE, beginning of year</b>	233,785	353,712	937,841	892,356
<b>Interfund transfers - Note 8</b>	<u>103,900</u>	<u>(112,959)</u>	<u>(103,900)</u>	<u>112,959</u>
<b>BALANCE, end of year</b>	<u>\$ 350,433</u>	<u>\$ 233,785</u>	<u>\$ 1,049,868</u>	<u>\$ 937,841</u>

(See accompanying notes)

**GLEANERS FOODBANK (QUINTE) INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2019**

	Operating Fund		Capital Asset Fund	
	2019	2018	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenue over expenses	\$ 12,748	\$ (6,968)	\$ 215,927	\$ (67,474)
Adjustment for				
Amortization of tangible capital assets	-	-	20,071	30,901
Amortization of intangible capital assets	-	-	-	2,473
	12,748	(6,968)	235,998	(34,100)
Change in non-cash working capital components:				
Accounts receivable	1,401	179	4,385	23,320
Prepaid expenses	(3,000)	(829)	-	-
Due (to) from other fund	92,515	44,917	(92,515)	(44,917)
Accounts payable and accrued liabilities	(3,249)	15,188	(119)	(200)
Government remittances payable	(2,606)	(1,663)	-	-
Deferred contributions	(28,466)	(4,035)	-	-
	69,343	46,789	147,749	(55,897)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of tangible capital assets	-	-	(43,850)	(57,062)
Purchase of investments	(4,898)	(2,394)	-	-
Interfund transfers	103,899	(112,959)	(103,899)	112,959
	99,001	(115,353)	(147,749)	55,897
<b>INCREASE (DECREASE) IN CASH</b>	168,344	(68,564)	-	-
<b>CASH, beginning of year</b>	287,449	356,013	-	-
<b>CASH, end of year</b>	<u>\$ 455,793</u>	<u>\$ 287,449</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)



**GLEANERS FOODBANK (QUINTE) INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2019**

**1. PURPOSE OF THE ORGANIZATION**

Gleaners Foodbank (Quinte) Inc. is a local Corporation established to assist in meeting the immediate food needs of food bank recipients and to work toward long-term solutions to hunger and poverty.

The Corporation is a registered charity under Section 149(1) of the Canadian Income Tax Act and, as such, is exempt from income taxes.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**Fund accounting restricted**

The Corporation follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for all the activities of the Corporation's day-to-day operations.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Corporation's capital assets.

**Investments**

The purchase and sale of investments are accounted for using settlement date accounting. Transaction costs associated with the acquisition of investments and investment management fees are expensed as incurred.

**Financial instruments**

The Corporation initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

**GLEANERS FOODBANK (QUINTE) INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2019**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventory**

Inventory consists of donated and purchased food. Since the inventory is to be distributed to the needy, it is not reflected as an asset in the financial statements.

**Revenue recognition**

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**Tangible capital assets**

Tangible capital assets are stated at acquisition cost. Amortization is provided on a straight line basis over the estimated useful life of the assets as follows:

Buildings	40 years
Vehicles	5 years
Equipment	5 years
Solar equipment	40 years
Fences	10 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are amortized.

**Intangible capital assets**

The costs of intangible capital assets are capitalized upon meeting the criteria for recognition as an intangible asset; otherwise, costs are expensed as incurred. Intangible assets, consisting of a website are measured at cost less accumulated amortization. Amortization of the website is provided on a straight-line basis over 1 year.

**Donated material and services**

Donated items excluding food and services, are recorded at fair value at the date of contribution. Donated food, for which charitable receipts are issued, are recorded at 100% of fair value. Donated services are not recorded by the Corporation.

During the period the Corporation recognized \$11,415 (2018 - \$8,261) in-kind food purchases, \$Nil (2018 - \$3,838) in-kind office and general donations, and \$6,636 (2018 - \$6,505) in-kind fundraising donations.



**GLEANERS FOODBANK (QUINTE) INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2019**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of estimates**

The preparation of financial statements in conformity 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 at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Management makes accounting estimates when determining the estimated useful life of the Corporation's capital assets. Actual results could differ from those estimates.

**3. FINANCIAL INSTRUMENTS**

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's maximum exposure to credit risk represents the sum of the carrying value of its cash, short term investments and accounts receivable. The Corporation's cash and short-term investments are held with a Chartered bank and therefore it is management's opinion that the Corporation is not subject to significant credit risk with respect to cash and short-term investments. The Corporation does not provide credit to its customers in the normal course of operations and therefore it is not subject to credit risk.

**Liquidity Risk**

Liquidity risk is the risk that the Corporation cannot meet its commitments when they become due. Liquidity risk also includes the risk of the Corporation not being able to liquidate assets in a timely manner. The Corporation's management manages this risk by reviewing expected cash flow requirements and anticipating investing and financing activities.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

**Currency Risk**

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instrument will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Corporation's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

**GLEANERS FOODBANK (QUINTE) INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2019**

**3. FINANCIAL INSTRUMENTS (continued)**

**Interest Rate Risk**

Interest rate risk refers to the risk that the fair value of financial instruments and future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Corporation's exposure to interest rate risk arises from its interest bearing assets.

The Corporation manages interest rate risk exposure of its cash by maintaining liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Corporation's results of operations.

**Other Price Risk**

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Corporation is not exposed to other price risk.

**Change in Risk**

There were no changes to the Corporation's risk exposure during the year.

**4. INVESTMENTS**

Investments consist of the following:

	2019	2018
Term Deposits		
- 2.30% maturing February 20, 2019	\$ -	\$ 189,241
- 0.50% maturing June 28, 2018	-	48,176
- 0.50 % maturing July 13, 2018	-	58,326
- 0.50% maturing June 28, 2019	48,417	-
- 0.50% maturing July 13, 2019	58,618	-
- 2.30 % maturing December 20, 2019	193,606	-
Shares - Quinte First Credit Union	245	245
	<u>\$ 300,886</u>	<u>\$ 295,988</u>

**GLEANERS FOODBANK (QUINTE) INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2019**

**5. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	2019 Cost	2019 Accumulated amortization	2019 Net	2018 Net
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Buildings	807,937	161,740	646,197	391,492
Building under construction	6,505	-	6,505	250,667
Equipment	66,767	48,324	18,443	3,501
Solar equipment	115,839	22,867	92,972	95,868
Fences	6,621	4,965	1,656	2,318
Vehicles	47,042	41,342	5,700	3,848
	<u>\$ 1,070,711</u>	<u>\$ 279,238</u>	<u>\$ 791,473</u>	<u>\$ 767,694</u>

**6. INTANGIBLE CAPITAL ASSETS**

Intangible capital assets consist of the following:

	2019 Cost	2019 Accumulated amortization	2019 Net	2018 Net
Website	<u>\$ 4,946</u>	<u>\$ 4,946</u>	<u>\$ -</u>	<u>\$ -</u>

**7. DEFERRED CONTRIBUTIONS**

Deferred contributions represents unspent resources externally restricted for food purchases.

	2019	2018
Balance, beginning of year	\$ 165,439	\$ 169,474
Add: Amounts received during the year	101,500	100,000
Less: Amounts recognized as revenue in the year	<u>(129,966)</u>	<u>(104,035)</u>
	<u>\$ 136,973</u>	<u>\$ 165,439</u>

**8. INTERFUND TRANSFERS**

During the year, \$103,900 was transferred to the Operating Fund from the Capital Asset Fund. In the prior year, \$112,959 was transferred to the Capital Asset Fund from the Operating Fund to assist with capital asset purchases.



**GLEANERS FOODBANK (QUINTE) INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2019**

**9. INTERNALLY RESTRICTED NET ASSETS**

The Board has internally restricted the amount of \$350,433 in the operating fund for two purposes: \$250,433 (2018 - \$133,785) as a contingency reserve and \$100,000 (2018 - \$100,000) as a building maintenance reserve.

The purpose of the contingency reserve is to ensure funds are available to cover unexpected revenue loss or events that would result in a serious interruption of service and in order to maintain the Corporation's long-term fiscal strength. The Corporation's policy is to maintain a reserve equal to six months operating expenses, to a maximum of the remaining total assets of the Corporation. The building maintenance reserve provides funds for building maintenance, durable goods and capital expenditures.

These internally restricted amounts cannot be used for any other purpose without the approval of the Board of Directors.

**10. CONTRACTUAL OBLIGATION**

The Corporation has entered into a contractual agreement with a contractor to complete building renovations, at an approximate cost of \$61,500.