

GLEANERS FOODBANK (QUINTE) INC.

FINANCIAL STATEMENTS

March 31, 2020

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, 2020, 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, 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 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, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 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
October 5, 2020

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, 2020

	ASSETS			
	Operating Fund	Capital Asset Fund	2020	2019
CURRENT ASSETS				
Cash	\$ 417,423	\$ -	\$ 417,423	\$ 455,793
Investment - Note 4	305,663	-	305,663	300,886
Accounts receivable	19,814	1,105	20,919	1,841
Government remittances recoverable	9,031	10,576	19,607	11,626
Prepaid expenses	4,798	-	4,798	6,818
Due (to) from other fund	(149,164)	149,164	-	-
	607,565	160,845	768,410	776,964
TANGIBLE CAPITAL ASSETS				
- Note 5	-	845,167	845,167	791,473
INTANGIBLE CAPITAL ASSETS				
- Note 6	-	7,925	7,925	-
Total other assets	-	853,092	853,092	791,473
	\$ 607,565	\$ 1,013,937	\$ 1,621,502	\$ 1,568,437

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$	12,334	\$ -	\$ 12,334	\$ 26,805
Government remittances payable		3,805	-	3,805	4,358
Deferred contributions - Note 7		211,468	-	211,468	136,973
		<u>227,607</u>	<u>-</u>	<u>227,607</u>	<u>168,136</u>
NET ASSETS					
Invested in capital assets		-	853,092	853,092	791,473
Other - Note 9		336,000	-	336,000	350,433
Unrestricted		43,958	160,845	204,803	258,395
		<u>379,958</u>	<u>1,013,937</u>	<u>1,393,895</u>	<u>1,400,301</u>
	\$	<u>607,565</u>	<u>\$ 1,013,937</u>	<u>\$ 1,621,502</u>	<u>\$ 1,568,437</u>

Approved by the Board:

_____ Director

_____ Director

(See accompanying notes)

GLEANERS FOODBANK (QUINTE) INC.
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2020

	Operating Fund		Capital Asset Fund	
	2020	2019	2020	2019
REVENUE				
Donations	\$ 312,410	\$ 237,231	\$ -	\$ -
Donations in memoriam	3,051	4,887	-	-
United Way	-	13,530	-	-
Foundation grants	96,710	142,101	-	154,365
Government and wage subsidy	20,962	23,460	-	-
Fundraising	65,213	80,732	-	-
Solar panel energy income	-	-	12,715	9,037
Other	411	436	-	-
Municipal Grants	4,664	10,000	-	82,000
Interest income	4,914	4,965	-	-
	<u>508,335</u>	<u>517,342</u>	<u>12,715</u>	<u>245,402</u>
EXPENSES				
Amortization of tangible capital assets	-	-	33,202	20,071
Amortization of intangible capital assets	-	-	7,925	-
Food purchases and delivery	84,894	141,873	-	-
Wages and benefits	277,654	268,163	-	-
Professional fees	11,749	7,672	-	-
Fundraising	28,549	24,893	-	-
Insurance and protection services	7,599	7,002	-	-
Office and sundry	35,739	28,369	-	-
Telephone	4,262	2,704	-	-
Vehicle operation	5,323	3,887	-	-
Warehouse maintenance	-	-	13,595	9,404
Utilities	16,965	20,031	-	-
	<u>472,734</u>	<u>504,594</u>	<u>54,722</u>	<u>29,475</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	35,601	12,748	(42,007)	215,927
BALANCE, beginning of year	350,433	233,785	1,049,868	937,841
Interfund transfers - Note 8	<u>(6,076)</u>	<u>103,900</u>	<u>6,076</u>	<u>(103,900)</u>
BALANCE, end of year	<u>\$ 379,958</u>	<u>\$ 350,433</u>	<u>\$ 1,013,937</u>	<u>\$ 1,049,868</u>

(See accompanying notes)

GLEANERS FOODBANK (QUINTE) INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020

	Operating Fund		Capital Asset Fund	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenses	\$ 35,601	\$ 12,748	\$ (42,007)	\$ 215,927
Adjustment for				
Amortization of tangible capital assets	-	-	33,202	20,071
Amortization of intangible capital assets	-	-	7,925	-
Accrued interest	(557)	-	-	-
	<u>35,044</u>	<u>12,748</u>	<u>(880)</u>	<u>235,998</u>
Change in non-cash working capital components:				
Accounts receivable	(19,814)	-	738	-
Prepaid expenses	2,020	(3,000)	-	-
Due (to) from other fund	(102,747)	92,515	102,747	(92,515)
Government remittances recoverable	(2,048)	1,401	(5,934)	4,385
Accounts payable and accrued liabilities	(14,471)	(3,249)	-	(119)
Government remittances payable	(553)	(2,606)	-	-
Deferred contributions	74,495	(28,466)	-	-
	<u>(28,074)</u>	<u>69,343</u>	<u>96,671</u>	<u>147,749</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of tangible capital assets	-	-	(86,896)	(43,850)
Purchase of intangible capital assets	-	-	(15,851)	-
Purchase of investments	(4,220)	(4,898)	-	-
Interfund transfers	(6,076)	103,899	6,076	(103,899)
	<u>(10,296)</u>	<u>99,001</u>	<u>(96,671)</u>	<u>(147,749)</u>
INCREASE (DECREASE) IN CASH	(38,370)	168,344	-	-
CASH, beginning of year	455,793	287,449	-	-
CASH, end of year	\$ 417,423	\$ 455,793	\$ -	\$ -

(See accompanying notes)

GLEANERS FOODBANK (QUINTE) INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

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, with exception to investments which are subsequently measured at fair market value. Financial assets measured at amortized cost include cash 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, 2020

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 \$10,890 (2019 - \$11,415) in-kind food purchases and \$14,831 (2019 - \$6,636) in-kind fundraising donations.

GLEANERS FOODBANK (QUINTE) INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

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, 2020

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:

	2020	2019
Term Deposits		
- 0.50% maturing June 27, 2020	\$ 48,658	\$ -
- 0.50% maturing April 13, 2020	58,912	-
- 1.00 % maturing December 19, 2020	197,848	-
- 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>\$ 305,663</u>	<u>\$ 300,886</u>

GLEANERS FOODBANK (QUINTE) INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2020 Cost	2020 Accumulated amortization	2020 Net	2019 Net
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
Buildings	880,196	183,160	697,036	646,197
Building under construction	3,326	-	3,326	6,505
Equipment	82,193	54,529	27,664	18,443
Solar equipment	115,839	25,763	90,076	92,972
Fences	9,012	5,747	3,265	1,656
Vehicles	47,042	43,242	3,800	5,700
	<u>\$ 1,157,608</u>	<u>\$ 312,441</u>	<u>\$ 845,167</u>	<u>\$ 791,473</u>

6. INTANGIBLE CAPITAL ASSETS

Intangible capital assets consist of the following:

	2020 Cost	2020 Accumulated amortization	2020 Net	2019 Net
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Website	<u>\$ 15,850</u>	<u>\$ 7,925</u>	<u>\$ 7,925</u>	<u>\$ -</u>

7. DEFERRED CONTRIBUTIONS

Deferred contributions represents unspent resources externally restricted for food purchases.

	2020	2019
	<u> </u>	<u> </u>
Balance, beginning of year	\$ 136,973	\$ 165,439
Add: Amounts received during the year	150,000	101,500
Less: Amounts recognized as revenue in the year	<u>(75,505)</u>	<u>(129,966)</u>
	<u>\$ 211,468</u>	<u>\$ 136,973</u>

GLEANERS FOODBANK (QUINTE) INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

8. INTERFUND TRANSFERS

During the year, \$6,076 was transferred to the Capital Asset Fund from the Operating Fund to assist with capital asset purchases. In the prior year, \$103,900 was transferred to the Operating Fund from the Capital Asset Fund.

Interfund loans outstanding are non-interest bearing and have no fixed repayable date.

9. INTERNALLY RESTRICTED NET ASSETS

The Board has internally restricted the amount of \$336,000 in the operating fund for two purposes: \$236,000 (2019 - \$250,433) as a contingency reserve and \$100,000 (2019 - \$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. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

11. UNCERTAINTY DUE TO THE ECONOMIC CONSEQUENCES OF THE CORONAVIRUS DISEASE (COVID-19) OUTBREAK

In mid-March of 2020, subsequent to the Corporation's year end, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of the coronavirus disease.

A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the Corporation's operations will be impacted. Consequently, at the time of issuance of these financial statements, the effect that the abrupt decline in economic activity will have on the Corporation's operations, assets, liabilities, revenues and expenses are not yet known.