

# Kanata Food Cupboard



## **Financial Statements** For the year ended December 31, 2023

**Kanata Food Cupboard**  
**Financial Statements**  
For the year ended December 31, 2023

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## Independent Auditor's Report

### To the Directors of Kanata Food Cupboard

#### Qualified Opinion

We have audited the financial statements of Kanata Food Cupboard (the "Organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 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 Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donation 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 Organization. Therefore we were not able to determine whether any adjustments may be necessary to donation or fundraising revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 was also qualified 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

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.

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 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.

*Baker Tilly Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
May 27, 2024  
Ottawa, Ontario

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## Kanata Food Cupboard Statement of Financial Position

December 31 2023 2022

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### Assets

#### Current

Cash (Note 3)	\$ 730,743	\$ 1,024,479
Short term investment (Note 4)	522,822	757,336
Accounts receivable	51,983	27,621
HST rebate recoverable	9,482	12,426
Prepaid expenses	5,926	6,181
Gift cards and vouchers	2,446	2,278

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1,323,402 1,830,321

Investments (Note 4) 937,074 -

Tangible capital assets (Note 5) 48,830 62,046

Endowment fund (Note 6) 50,000 50,000

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\$ 2,359,306 \$ 1,942,367

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### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 8)	\$ 39,049	\$ 20,759
Deferred contributions (Note 7)	11,524	-

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50,573 20,759

#### Net assets

Unrestricted	2,308,733	1,800,804
Internally restricted reserve	-	120,804

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2,308,733 1,921,608

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\$ 2,359,306 \$ 1,942,367

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Approved on behalf of the board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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## Kanata Food Cupboard Statement of Changes in Net Assets

**For the year ended December 31**

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	<b>Unrestricted</b>	<b>Internally Restricted Reserve</b>	<b>Total 2023</b>	<b>Total 2022</b>
<b>Balance, beginning of year</b>	\$ 1,800,804	\$ 120,804	\$ 1,921,608	\$ 1,651,734
Excess of revenues over expenditures for the year	387,125	-	<b>387,125</b>	269,874
Interfund transfer	120,804	(120,804)	-	-
<b>Balance, end of year</b>	<b>\$ 2,308,733</b>	<b>\$ -</b>	<b>\$ 2,308,733</b>	<b>\$ 1,921,608</b>

## Kanata Food Cupboard Statement of Operations

For the year ended December 31	2023	2022
<b>Revenues</b>		
Donations and fundraising	\$ 979,722	\$ 787,755
Ottawa Community Foundation grant (Note 6)	2,299	2,272
Investment income	60,435	7,338
	<b>1,042,456</b>	797,365
<b>Expenditures</b>		
Advertising	7,710	7,240
Amortization	13,216	13,908
Food and supplies	362,153	262,274
Fundraising costs	990	-
Miscellaneous	448	1,532
Office	28,465	37,463
Payroll and benefits	158,421	122,706
Professional fees	20,442	19,746
Rent and occupancy (Note 9)	55,904	56,993
Vehicles	7,582	5,629
	<b>655,331</b>	527,491
<b>Excess of revenues over expenditures for the year</b>	<b>\$ 387,125</b>	<b>\$ 269,874</b>

## Kanata Food Cupboard Statement of Cash Flows

For the year ended December 31	2023	2022
<b>Cash flows from (used in) operating activities</b>		
Excess of revenues over expenditures for the year	\$ 387,125	\$ 269,874
Adjustment for non-cash item		
Amortization of tangible capital assets	13,216	13,908
	400,341	283,782
Change in non-cash working capital items		
Accounts receivable	(24,362)	(2,537)
HST recoverable	2,944	548
Prepaid expenses	255	790
Gift cards and vouchers	(168)	5,377
Accounts payable and accrued liabilities	18,290	(20,779)
Deferred contributions	11,524	-
	408,824	267,181
<b>Cash flows from (used in) investing activities</b>		
Purchase of investments and accrued interest (net of redemptions)	(702,560)	(594,831)
Purchase of tangible capital assets	-	(4,055)
	(702,560)	(598,886)
<b>Decrease in cash during the year</b>	<b>(293,736)</b>	<b>(331,705)</b>
<b>Cash, beginning of year</b>	<b>1,024,479</b>	<b>1,356,184</b>
<b>Cash, end of year</b>	<b>\$ 730,743</b>	<b>\$ 1,024,479</b>



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# Kanata Food Cupboard Notes to the Financial Statements

December 31, 2023

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## 1. Significant Accounting Policies

### Nature of Business

The Kanata Food Cupboard is a non-profit organization, incorporated under the laws of Canada on December 15, 1988. The Organization provides services to self-identifying individuals who live in the Kanata wards (North and South) of Ottawa and require emergency food. Kanata Food Cupboard is a registered charity under the Income Tax Act of Canada and accordingly is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The funding has been primarily provided through voluntary contributions and grants from members of the public, corporations and charitable foundations.

### Basis of Presentation

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-profit Organizations ("ASNPO"), which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

### Use of Estimates

The preparation of financial statements in accordance with ASNPO 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the period in which they become known.

Significant estimates include assumptions used in estimating the useful lives and amortization rates of tangible capital assets and accruals for certain liabilities.

### Financial Instruments

Financial instruments are financial assets or liabilities of the Organization where, in general, the Organization has the right to receive cash or another financial asset from another party or the Organization has the obligation to pay another party cash or other financial assets.

#### Measurement of arm's length financial instruments

The Organization initially measures its arm's length financial assets and liabilities at fair value.

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# Kanata Food Cupboard

## Notes to the Financial Statements

December 31, 2023

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### 1. Significant Accounting Policies (continued)

#### Financial Instruments (continued)

##### Measurement of arm's length financial instruments (continued)

The Organization subsequently measures arm's length financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Arm's length financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, investments, and accounts payable and accrued liabilities. There are no financial assets or liabilities measured at fair value.

##### Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that would have been reported as a reduction in the asset and it does not exceed the original cost. The amount of the reversal is recognized in operations.

##### Transaction costs

The Organization recognizes its transaction costs in operations in the period incurred. However, arm's length financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

#### Tangible Capital Assets

Tangible capital assets are recorded at cost. Amortization is based on the estimated useful life of the asset and is provided as follows:

Computers	Straight-line	3 years
Furniture and equipment	Straight-line	5 years
Leasehold improvements	Straight-line	5 years
Vehicles	Straight-line	10 years

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# Kanata Food Cupboard Notes to the Financial Statements

December 31, 2023

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## 1. Significant Accounting Policies (continued)

**Impairment of Long-Lived Assets** A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

**Internally Restricted Net Assets** A portion of the Organization's net assets has been restricted in accordance with specific directives as approved by the association's board of directors. The purpose of each is as follows:

*Internally Restricted Reserve*

Net assets internally restricted as a reserve fund was established to cover future obligations not in the normal course of operations.

**Revenue Recognition** The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Investment income is recognized as revenue when earned.

**Donated Material and Services** The value of assets, materials and services donated to the Organization is not reflected in these financial statements unless the item would be otherwise purchased and the fair value of such donations is reasonably determinable.

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## 2. Change in Accounting Policy

The Organization has voluntarily changed its accounting policy for recognition of contributions. Previously, it applied the restricted fund method which has been changed to the deferral method as the Organization does not receive many externally restricted contributions, therefore the deferral method is deemed more appropriate for the size and nature of the Organization.

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## Kanata Food Cupboard Notes to the Financial Statements

**December 31, 2023**

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### 2. Change in Accounting Policy (continued)

This change in accounting policy resulted in a change in the presentation of the financial statements: the statement of operations is now presented as one column (rather than two columns for each fund), and the previously identified "Reserve Fund" has now become net assets internally restricted by the board. The change did not result in a change in the opening net asset balances or any other opening balances.

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### 3. Cash

The Organization has one bank account at a chartered bank, which earns interest at a nominal rate.

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### 4. Investments

Short-term investment consists of guaranteed investment certificates which earn interest ranging from 4.75% to 5.00% (2022 - 1.05%) and mature by January 2024 (2022 - January 2023).

Long-term portion of investments consists of guaranteed investment certificates which earn interest ranging from 4.20% and 4.70% and mature between January 2025 and January 2027.

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### 5. Tangible Capital Assets

	<b>2023</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Computers	\$ 2,079	\$ 2,079	\$ -
Furniture and equipment	28,350	17,512	10,838
Leasehold improvements	14,818	8,892	5,926
Vehicles	45,809	13,743	32,066
	\$ 91,056	\$ 42,226	\$ 48,830

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## Kanata Food Cupboard Notes to the Financial Statements

December 31, 2023

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### 5. Tangible Capital Assets (continued)

	2022		
	Cost	Accumulated Amortization	Net Book Value
Computers	\$ 2,079	\$ 2,079	\$ -
Furniture and equipment	28,350	11,841	16,509
Leasehold improvements	14,818	5,928	8,890
Vehicles	45,809	9,162	36,647
	\$ 91,056	\$ 29,010	\$ 62,046

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### 6. Endowment Fund

The endowment fund represents funds invested through the Community Foundation of Ottawa. Funds will be invested for a minimum of five years starting June 2015.

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### 7. Deferred Contributions

	Balance, beginning of year	Received	Recognized	Balance, end of year
Minister of Agriculture and Agri-Food, Garden Grant	\$ -	\$ 15,000	\$ 3,476	\$ 11,524

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### 8. Credit Facility

The Organization has available to it corporate credit cards with a combined credit limit of \$20,000, of which \$5,539 has been utilized at year-end and is included in accounts payable and accrued liabilities.

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## Kanata Food Cupboard Notes to the Financial Statements

December 31, 2023

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### 9. Commitments

The Organization has entered into lease agreements for the use of its warehouse premises expiring on August 31, 2024 and June 30, 2031 respectively, and is therefore committed to minimum base rent payments (plus applicable HST) as follows:

2024	\$ 87,582
2025	116,203
2026	116,203
2027	118,395
2028	120,588
Subsequent years	<u>305,854</u>
	<u>\$ 864,825</u>

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### 10. Financial Instruments

The Organization is exposed to various financial risks through transactions in financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations as at December 31, 2023.

#### Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

#### 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 comprises three types of risk: currency risk, interest rate risk, and other price risk. The Organization is mainly exposed to interest rate risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to fair value risk on its investments with fixed interest rates.

#### Changes in risk

There have been no significant changes in the Organization's risk exposure from the previous fiscal year.

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## Kanata Food Cupboard Notes to the Financial Statements

**December 31, 2023**

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### **11. 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.

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