

FINANCIAL STATEMENTS

FOOD FOR THE POOR OF CANADA, INC.

December 31, 2019

Food for the Poor of Canada, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the directors of
Food For The Poor Of Canada, Inc.:

Opinion

We have audited the accompanying financial statements of **Food For The Poor Of Canada, Inc.** (the "Organization"), which comprise the statement of financial position as at December 31, 2019 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for non-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 these financial statements in accordance with Canadian accounting standards for non-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.

.....continued

INDEPENDENT AUDITOR'S REPORT (continued)

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 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 Responsibility for the Audit of 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 it 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 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 judgement 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 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.

.....continued

INDEPENDENT AUDITOR'S REPORT (continued)

- 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.

Other matter

The financial statements of **Food For The Poor Of Canada, Inc.** for the year ended December 31, 2018 were audited by another auditor who expressed a modified opinion on these financial statements on June 28, 2019. The predecessor auditor's modified opinion stated that, in common with many not-for-profit organizations, the completeness of donation revenue was not susceptible to satisfactory audit verification and the verification of revenue was limited to the amounts recorded by the Organization.

Toronto, Ontario
February 21, 2020

Campbell Lawless LLP

Chartered Professional Accountants
Licensed Public Accountants

Food for the Poor of Canada, Inc.
STATEMENT OF FINANCIAL POSITION

| December 31 | 2019 | 2018 |
|--|------------------|----------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 1,163,135 | 454,630 |
| Donations receivable | 7,652 | 27,319 |
| Harmonized sales tax recoverable | 11,524 | 20,340 |
| Inventory | 39,567 | 39,567 |
| Prepaid expenses | 3,723 | 5,927 |
| | 1,225,601 | 547,783 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | 12,044 | 3,360 |
| Deferred contributions [note 3] | <u>854,903</u> | <u>292,375</u> |
| | 866,947 | 295,735 |
| NET ASSETS | | |
| Unrestricted | 358,654 | 252,048 |
| | 1,225,601 | 547,783 |

see accompanying

On behalf of the Board:

Director

Director

Food for the Poor of Canada, Inc.

STATEMENT OF CHANGES IN NET ASSETS

| Year ended December 31 | 2019 | 2018 |
|--|---------|---------|
| | \$ | \$ |
| Balance , beginning of year | 252,048 | 239,813 |
| Excess of revenue over expenses for the year | 106,606 | 12,235 |
| Balance , end of year | 358,654 | 252,048 |

see accompanying notes

Food for the Poor of Canada, Inc.
STATEMENT OF OPERATIONS

| Year ended December 31 | 2019 \$ | 2018 \$ |
|---|------------------|------------------|
| Revenue | | |
| Donations of medical aid, educational and food supplies | 2,506,465 | 8,308,753 |
| Donations of funds | <u>1,296,185</u> | <u>1,025,905</u> |
| | <u>3,802,650</u> | <u>9,334,658</u> |
| Expenses | | |
| Program | | |
| Medical aid, educational and food supplies deliveries | 2,506,465 | 8,308,753 |
| Project funds for education and housing initiative [note 4] | 591,532 | 555,525 |
| Program salaries [note 5] | 128,490 | 108,520 |
| Purchased supplies | 60,592 | 69,490 |
| Shipping | 50,967 | 62,138 |
| Foreign exchange (gain) loss | 28,376 | (15,698) |
| Programming funds to HPIC | 23,500 | 21,000 |
| Travel | <u>5,800</u> | <u>11,905</u> |
| | <u>3,395,722</u> | <u>9,121,633</u> |
| Administrative and fundraising | | |
| Fundraising [note 6] | 158,079 | 107,921 |
| Administrative salaries [note 5] | 62,385 | 30,491 |
| Rent | 27,587 | 11,917 |
| Office and general | 24,051 | 12,430 |
| Professional fees | 16,035 | 13,343 |
| Marketing | 10,739 | 22,595 |
| Directors and officers insurance | 837 | 946 |
| Bank charges | <u>609</u> | <u>1,147</u> |
| | <u>300,322</u> | <u>200,790</u> |
| | <u>3,696,044</u> | <u>9,322,423</u> |
| Excess of revenue over expenses for the year | <u>106,606</u> | <u>12,235</u> |

see accompanying notes

Food for the Poor of Canada, Inc.
STATEMENT OF CASH FLOWS

| Year ended December 31 | 2019 \$ | 2018 \$ |
|---|------------------|----------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses for the year | 106,606 | 12,235 |
| Changes in non-cash working capital balances - | | |
| (Increase) decrease in donations receivable | 19,667 | (14,156) |
| (Increase) decrease in harmonized sales tax recoverable | 8,816 | (8,071) |
| (Increase) decrease in inventory | | (39,567) |
| (Increase) decrease in prepaid expenses | 2,204 | (5,927) |
| Increase (decrease) in accounts payable and accrued liabilities | 8,684 | (2,836) |
| Increase (decrease) in deferred contributions | <u>562,528</u> | <u>146,487</u> |
| Net change in cash during the year | 708,505 | 88,165 |
| Cash, beginning of year | <u>454,630</u> | 366,465 |
| Cash, end of year | <u>1,163,135</u> | 454,630 |

see accompanying notes

Food for the Poor of Canada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. PURPOSE OF THE ORGANIZATION

Food for the Poor of Canada, Inc. (the "Organization") works across the Caribbean and Latin America, building strong and prosperous communities through basic aid and sustainable community development through a community-led approach. The Organization asks communities to tell them what their needs are and then mobilizes to help. The Canadian affiliate of Food For The Poor international ("FFP") empowers communities through five areas of programming: food, housing, education, health and livelihood. The Organization responds to urgent needs while building community and social infrastructure with the goal of creating prosperous communities where children and their families have what the Organization needs to flourish. The Organization works within a strong network of partners, including government ministries, charitable partners, churches and community leaders, as well as other FFP affiliates, to distribute aid where it is needed the most, serving the poorest of the poor and strengthening infrastructure in high-need communities.

The Organization was incorporated on January 8, 1991 under the Canada Corporations Act as an organization without share capital, and has since continued under the Canada Not-for-profit Corporation Act. The Organization is classified as a registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada) [the "Act"] and, therefore, is exempt from income tax providing that it complies with donation and certain other requirements of the Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian accounting standards for non-for-profit organizations.

Revenue recognition

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

Donations of medical aid, educational and food supplies

The Organization receives donations of medical supplies, educational material and food for distribution. These items are recognized as revenue and associated cost at their fair value where they can be reasonably estimated and where ownership has transferred to the Organization.

Contributed services

In fulfilling its objects, the Organization receives contributions of services from various members and other parties. Due to the difficulty in determining their value, contributed services are not recorded in these financial statements.

Food for the Poor of Canada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

Cash includes cash on hand and bank balances that fluctuate between being positive and negative.

Inventory

Inventory consists of water purification tablets and is recorded at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Financial assets and liabilities measured at amortized cost include cash, donations receivable and accounts payable and accrued liabilities.

The Organization has no financial assets or liabilities measured at fair value.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end. Revenue and expenses denominated in a foreign currency are translated at the average exchange rate. Exchange gains or losses are included in the statement of operations.

Allocation of salaries

Salaries are allocated between fundraising, administrative and program expenses in accordance with management's best estimate of the utilization of such resources of the Organization.

Use of estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant items subject to such management estimates and assumptions include the revenue and expenses relating to donations of medical aid, educational material and food supplies, and the allocation of salaries. Actual results could differ from the estimates.

Food for the Poor of Canada, Inc.
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

3. DEFERRED CONTRIBUTIONS

Deferred revenue includes externally-restricted contributions. The continuity of deferred contributions is as follows:

| Project | Balance, beginning of year | Contributions received | Contributions recognized as revenue | Balance, end of year |
|-----------------------|----------------------------------|---------------------------|---|-------------------------|
| Village Derac | - | 690,756 | - | 690,756 |
| Bahamas | - | 81,562 | - | 81,562 |
| Tierra Muscady | 136,892 | - | (71,730) | 65,162 |
| Fyffes Pen | - | 6,453 | - | 6,453 |
| Other | - | 5,739 | - | 5,739 |
| Bois Content | - | 5,231 | - | 5,231 |
| Helping Hands Jamaica | 97,000 | - | (97,000) | - |
| Wakefield | 19,187 | - | (19,187) | - |
| Bezin Village | 16,609 | - | (16,609) | - |
| Mount Pleasant | 15,741 | - | (15,741) | - |
| Boca Grande House | 6,946 | - | (6,946) | - |
| | 292,375 | 789,741 | (227,213) | 854,903 |

4. PROJECT FUNDS FOR EDUCATION AND HOUSING ACTIVITIES

The Organization funds education and housing initiatives according to its mandate either directly or indirectly. Indirect funding is provided through agency relationships with community organizations, international FFP affiliates and others.

5. SALARIES

Salaries have been allocated as follows:

| | 2019 % | 2018 % |
|----------------|-----------|-----------|
| Program | 48 | 52 |
| Fundraising | 30 | 34 |
| Administration | 22 | 14 |

Food for the Poor of Canada, Inc.
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

6. FUNDRAISING

Fundraising expense includes the following:

| | 2019 | 2018 |
|--------------------|----------------|----------------|
| | \$ | \$ |
| Allocated salaries | 78,654 | 70,794 |
| Consulting | 50,464 | 8,754 |
| Events | 16,479 | 7,700 |
| Other | 12,482 | 20,673 |
| | 158,079 | 107,921 |

7. COMMITMENTS

The Organization is committed under the terms of a lease agreement for its office. The future minimum annual lease payments under the operating lease that has an initial non-cancellable lease term are approximately as follows:

| | \$ |
|------|---------------|
| 2020 | 23,400 |
| 2021 | 1,950 |
| | 25,350 |

8. FINANCIAL INSTRUMENTS RISK EXPOSURE

The Organization is exposed to credit risk, liquidity risk and market risk through its financial instruments. The Organization has no changes in its risk exposure from the previous period.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from organizations raising funds on its behalf. Given the nature of the risk, it is difficult for the Organization to take steps to manage it.

Food for the Poor of Canada, Inc.
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

8. FINANCIAL INSTRUMENT RISK EXPOSURE (continued)

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. The Organization is exposed to liquidity risk primarily rising from its accounts payable and accrued liabilities. The Organization meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market risk

The Organization is exposed to market risk which is the risk that the fair value of 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 primarily exposed to currency risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is exposed to currency risk through its U.S. dollar denominated activities. As at December 31, 2019, cash of \$374,950 (2018 - \$256,365) is recorded in U.S dollars and converted into Canadian dollars. The Organization has not hedged its exposure to foreign currency fluctuations.