



GHUMMAN & PARTNERS LLP
Chartered Professional Accountants

SIKHS SERVING CANADA ASSOCIATION

Financial Statements

Year Ended December 31, 2018

SIKHS SERVING CANADA ASSOCIATION

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Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Sikhs Serving Canada Association

Qualified Opinion

We have audited the financial statements of Sikhs Serving Canada Association (the Association), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, 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, 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 Association as at December 31, 2018, 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 Association derives revenue from 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 Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2018, current assets and net assets as at December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of 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 Association 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter

As more fully described in Note 3 which describes the Summary of Significant Accounting Policies and particularly the policy regarding donated goods, the financial statements did not include the food received and distributed by the Organization. Management has justified the departure from Canadian accounting standards for not-for-profit organizations due to the inability to reasonably estimate the fair value of received foods. Our Opinion of revenues was limited to the amounts recorded in the records of the Organization as expressed above.

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.

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Independent Auditor's Report to the Members of Sikhs Serving Canada Association *(continued)*

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

Mississauga, Ontario
June 19, 2019

Ghorman & Partners LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

SIKHS SERVING CANADA ASSOCIATION

Statement of Financial Position

As at December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash (<i>Note 4</i>)	\$ 421,603	\$ 440,229
Accounts receivable	37,502	-
Harmonized sales tax recoverable	39,618	22,598
Prepayment and utility deposit	17,351	18,927
	<u>516,074</u>	481,754
PROPERTY, PLANT AND EQUIPMENT (<i>Note 5</i>)	<u>215,219</u>	-
TOTAL ASSETS	<u>\$ 731,293</u>	<u>\$ 481,754</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (<i>Note 6</i>)	\$ 29,058	\$ 15,708
Deferred rent liabilities	5,003	10,462
	<u>34,061</u>	26,170
DEFERRED CONTRIBUTIONS (<i>Note 7</i>)	<u>147,728</u>	147,728
TOTAL LIABILITIES	<u>181,789</u>	173,898
NET ASSETS	<u>549,504</u>	307,856
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 731,293</u>	<u>\$ 481,754</u>

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See notes to financial statements

SIKHS SERVING CANADA ASSOCIATION**Statement of Revenues and Expenditures****Year Ended December 31, 2018**

	2018	2017
REVENUES		
Donations	\$ 760,687	\$ 579,849
Region of Peel	143,179	131,960
Canada Summer Job Fund	64,695	53,727
Ontario Trillium Foundation Fund	-	17,200
Mississauga Milk Fund	-	21,000
	<u>968,561</u>	<u>803,736</u>
EXPENSES		
Salaries and wages	381,673	273,255
Rent	126,343	123,081
Food-raising and Fundraising	88,418	43,055
Professional fees	30,847	50,316
Office	29,502	27,091
Utilities	17,295	16,047
Food Costs	16,636	36,224
Vehicle	9,742	6,669
Telephone	7,411	6,172
Meals and entertainment	4,621	4,769
Volunteers	3,580	2,924
Business taxes, licenses and memberships	3,217	1,450
Insurance	2,785	2,207
Travel	2,452	2,391
Amortization	2,153	-
Interest and bank charges	238	314
	<u>726,913</u>	<u>595,965</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 241,648	\$ 207,771

SIKHS SERVING CANADA ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2018

	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 307,856	\$ 100,085
EXCESS OF REVENUES OVER EXPENSES	241,648	207,771
NET ASSETS - END OF YEAR	\$ 549,504	\$ 307,856

SIKHS SERVING CANADA ASSOCIATION**Statement of Cash Flows****Year Ended December 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 241,648	\$ 207,771
Item not affecting cash:		
Amortization of property, plant and equipment	<u>2,153</u>	<u>-</u>
	243,801	207,771
Changes in non-cash working capital:		
Accounts receivable	(37,502)	-
Accounts receivable from employees	-	1,500
Accounts payable and accrued liabilities	13,350	8,208
Deferred rent liabilities	(5,459)	(3,641)
Prepayment and utility deposit	1,576	5,549
Harmonized sales tax payable	(17,020)	(433)
Deferred income	<u>-</u>	<u>(8,453)</u>
	(45,055)	2,730
Cash flow from operating activities	<u>198,746</u>	<u>210,501</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	<u>(217,372)</u>	<u>-</u>
FINANCING ACTIVITY		
Short term debt	<u>-</u>	<u>(15,000)</u>
INCREASE (DECREASE) IN CASH FLOW	(18,626)	195,501
Cash - beginning of year	<u>440,229</u>	<u>244,728</u>
CASH - END OF YEAR	<u>\$ 421,603</u>	<u>\$ 440,229</u>

SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

1. PURPOSE OF THE ASSOCIATION

Sikhs Serving Canada Association (the "Association") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Ontario on January 28, 2009. As a registered charity the Association is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Association provides safe, nutritious and culturally appropriate food to low income families living in Mississauga's L5B, L5C, L4V, L5S, L4T, L5T, and L5P postal code areas through the Wolfedale Road and Slough Street locations.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Association be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Motor vehicles	30% declining balance method
Leasehold improvements	term of the lease straight-line method

The Association regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Sikhs Serving Canada Association follows the deferral method of accounting for contributions. Accordingly, there are three types of contributions:

1. A restricted contribution is a contribution subject to externally imposed stipulations as specified by the donor.
2. An endowment contribution is a type of restricted contribution specifying that the resources contributed be maintained permanently.
3. An unrestricted contribution has no externally imposed conditions and the Association is free to use the funds in any manner it chooses.

Under the Deferral Method, the accounting treatment differs depending on the type of contribution and its purpose:

- A restricted contribution that is directed to expenditures in the current period is included in revenues of the current period.
- An externally restricted contribution for future expenditures is called a Deferred Contribution. When deferred contributions are utilized for operating expenses in a future period (expended as specified by the donor), the term used at that time is Recognition of Deferred Contributions and the amount is shown as a revenue item in that period.
- If the restricted contribution is for the purchase of a capital asset, the contribution is deferred and taken into revenues as the asset so acquired is amortized (i.e., depreciated) in the Association's accounts. The term used in this case is Amortization of Deferred Contributions.
- An endowment contribution, which is essentially an asset contribution to be held in perpetuity, is recorded as an increase in a category of net assets called Net Assets Restricted for Endowments.
- An unrestricted contribution is taken into revenues immediately and forms part of the Unrestricted Net Assets balance if not expended in the current period.
- The Board of Directors can decide to designate a portion of the Association's unrestricted net assets for certain purposes (e.g., research, special projects), in which case it is noted as Internally Restricted Net Assets.

Donated goods

Material donated goods other than foods are recorded at their fair market value at the time of the donation. When a fair market value can be reasonably estimated and when the donated goods would otherwise have been purchased, fair market value would be estimated using market or appraisal values at the date of the donation.

The Association receives a significant volume of food products from its food bank network through the Mississauga Food Bank, grocery retailers and independent stores. The volume of food products acquired and distributed was 1,216,160 pounds (2017: 1,152,360 pounds) with a value of \$2.62 (2017: \$2.50) per pound.

These donated food products are not reflected in the financial statements as their fair market value cannot be reasonably estimated.

Contributed services

The operations of the Association depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Pledges

Pledges which are legally enforceable (less an allowance for amounts considered uncollectible) are recorded as receivable in the year made. Pledges to support current operations are recorded as operating fund receipts. Pledges made for the acquisition of property or to support future operations are recorded as deferred amounts in their respective fund.

Net assets

- a) Net assets invested in property and equipment represents the Association's net investment in property and equipment which is comprised of the unamortized amount of property and equipment purchased with restricted funds.
- b) Internally restricted net assets are funds which have been designated for a specific purpose by the organization's Board of Directors.
- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the Association each year, not of transfers, and are available for general purposes.

Impairment of Long Lived Assets

The Association tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

4. CASH

As of December 31, the cash is classified as per the following:

	<u>2018</u>	<u>2017</u>
Unrestricted	\$ 273,875	\$ 292,501
Restricted	147,728	147,728
	<u>\$ 421,603</u>	<u>\$ 440,229</u>

SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Motor vehicles	\$ 14,354	\$ 2,153	\$ 12,201	\$ -
Leasehold Improvements	203,018	-	203,018	-
	\$ 217,372	\$ 2,153	\$ 215,219	\$ -

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts Payable	\$ 8,876	\$ -
Payroll Liabilities	12,682	8,208
Accrued Liabilities	7,500	7,500
	\$ 29,058	\$ 15,708

SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

7. DEFERRED CONTRIBUTIONS

This amount consists of contributions that have restrictions relating to specific projects that were imposed by the donor. A summary of the deferred contributions is as follows:

<u>Contributors</u>	Opening Balance	Contributed	Recognized	2018
Region of Peel	\$ -	\$ 143,179	\$ 143,179	\$ -
Canada Summer Jobs Fund	-	64,695	64,695	-
Mississauga Milk Fund - Carolyn Parrish	-	-	-	-
Ontario Trillium Foundation	119,981	-	-	119,981
Ministry of Employment and Social Development Canada (ESDC) - Accessibility Fund	22,747	-	-	22,747
Home Depot Foundation	5,000	-	-	5,000
Total	147,728	207,874	207,874	147,728

Region of Peel

In 2018, the Region of Peel provided the Charitable Organization with one grants:

Sustainability - Core Operational Funding to assist with core operating expenses that will empower an organization to be more effective and achieve greater community impact to better deliver human and social services in Peel Region. During the year, the Association received the 2018 grant amounting to \$120,618 must be used for salaries.

During the year ended December 31, 2018, the Association incurred salaries of \$133,179 under the grant.

Canada Summer Jobs Fund

Service Canada provided the Association with a grant of \$64,695 from the Canada Summer Jobs Fund to be used to hire summer students.

During the year ended December 31, 2018, withdrawals from the fund consisted of salaries of \$64,695

Mississauga Milk Fund

The Mississauga Milk Fund was for the purpose of buying milk. The Association has received \$21,000 from the Milk Fund donor during the year. Starting in 2018, the donor is no longer restricting this for the purchase of milk. Therefore, this donation is treated as a general purpose grant effective this year.

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SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

7. DEFERRED CONTRIBUTIONS *(continued)*

Ontario Trillium Foundation

In 2015, the Ontario Trillium Foundation provided the Association a grant of \$199,400 to be paid over 24 months and to be used for the following purposes:

- (i) program expenses - \$16,000;
- (ii) to hire a food bank coordinator - \$41,400;
- (iii) for Renovations - \$132,000; and
- (iv) for Capital assets - \$10,000

During the previous years, expenses incurred consisted of:

- (i) program expenses - \$16,000;
- (ii) to hire a food bank coordinator - \$41,400;
- (iii) for Renovations - \$39,219; and
- (iv) for Capital assets - \$Nil

No spending incurred in 2018 as the construction work is still in progress at year end. The project is set to be completed in 2019 and the balance will be recognized to revenue over the lease term starting from 2019.

Ministry of Employment and Social Development Canada (ESDC) - Accessibility Fund

The Ministry of Employment and Social Development Canada (ESDC) has granted the Association \$22,747 for the purpose of accessibility improvements to the building which includes the installation of an automated door and building an accessible washroom.

The project is set to be completed in 2019 and the grant will be recognized to revenue over the lease term starting from 2019.

Home Depot Foundation

The Charitable Corporation has received a \$5,000 donation from Home Depot Foundation to support a Community Teaching Kitchen program.

The program is set to be completed in 2019 and the grant will be recognized to revenue over the lease term starting from 2019.

8. NET ASSETS

As of December 31, the net assets are classified as per the following:

	<u>2018</u>	<u>2017</u>
Unrestricted balance	<u>\$ 549,504</u>	<u>\$ 307,856</u>

9. LEASE COMMITMENTS

The Charitable Organization has long-term lease with respect to its premises which will be expired on Jan 31, 2019 and Nov 30, 2019 respectively . Future minimum lease payments are as follows:

2019	<u>\$ 93,671</u>
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SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2018

10. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2018.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from customers. In order to reduce its credit risk, the Association reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.

