

FOOD FOR THE POOR OF CANADA, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of
Food For The Poor of Canada, Inc.**

Qualified Opinion

We have audited the accompanying financial statements of Food For The Poor of Canada, Inc. ("FFPC") which comprise the statement of financial position as at December 31, 2018 and the statement of operations, statement of changes in net assets and statement of 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 effects 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 FFPC as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, FFPC derives a portion of its revenue and net asset additions from the general public in the form of fundraising events and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded by FFPC and we were not able to determine whether any adjustments might be necessary to donations revenue and excess of revenue over expenses for the years ended December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years.

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 on our report. We are independent of FFPC 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 qualified opinion.

Other matter

The financial statements of Food For The Poor of Canada, Inc. for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on March 2, 2018.

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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 ASNFPO, 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 FFPC'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 FFPC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing FFPC'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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Segal LLP's website at www.SegalLLP.com. This description forms part of our Auditor's Report.

Segal LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 28, 2019

FOOD FOR THE POOR OF CANADA, INC.

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

	2018	2017
ASSETS		
Current		
Cash	\$ 454,630	\$ 366,466
Donations receivable	27,319	13,163
Harmonized sales tax recoverable	20,340	12,269
Prepaid rent	5,927	-
Inventory	<u>39,567</u>	<u>-</u>
	\$ <u>547,783</u>	\$ <u>391,898</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,359	\$ 6,194
Deferred contributions, note 3	<u>292,375</u>	<u>145,889</u>
	<u>295,734</u>	<u>152,083</u>
Commitments , note 4		
NET ASSETS		
Unrestricted net assets	<u>252,049</u>	<u>239,815</u>
	\$ <u>547,783</u>	\$ <u>391,898</u>

Approved on behalf of the Board:

_____ Director

_____ Director

See accompanying notes to the financial statements

FOOD FOR THE POOR OF CANADA, INC.

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
Unrestricted net assets, beginning of year	\$ 239,815	\$ 96,433
Excess of revenue over expenditures for the year	<u>12,234</u>	<u>143,382</u>
Unrestricted net assets, end of year	<u>\$ 252,049</u>	<u>\$ 239,815</u>

See accompanying notes to the financial statements

FOOD FOR THE POOR OF CANADA, INC.

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Revenue		
Contributions of medical aid, educational and food supplies, note 6	\$ 8,308,753	\$ 1,166,823
Donations, note 5	1,025,905	1,051,543
Grant from an international aid agency	<u>-</u>	<u>80,000</u>
	<u>9,334,658</u>	<u>2,298,366</u>
Expenditures		
Administrative and fundraising		
Fundraising, note 7	107,921	109,571
Administrative salaries, note 8	30,491	9,769
Marketing	22,595	3,083
Professional fees	13,344	6,697
Office and general	12,430	9,989
Rent	11,917	7,521
Bank and credit card fees	1,147	1,142
Directors and officers insurance	946	837
Administrative support	<u>-</u>	<u>2,160</u>
	<u>200,791</u>	<u>150,769</u>
Program		
Medical aid, educational and food supplies deliveries	8,308,753	1,166,823
Project funds for education and housing initiatives	555,525	630,118
Program salaries, note 8	108,520	86,843
Purchased supplies, note 9	69,490	3,337
Shipping	62,138	53,864
Programming funds to HPIC	21,000	21,000
Travel	<u>11,905</u>	<u>14,861</u>
	<u>9,137,331</u>	<u>1,976,846</u>
	<u>9,338,122</u>	<u>2,127,615</u>
(Deficiency) excess of revenue over expenditures before undernoted	(3,464)	170,751
Foreign exchange gain (loss)	<u>15,698</u>	<u>(27,369)</u>
Excess of revenue over expenditures for the year	<u>\$ 12,234</u>	<u>\$ 143,382</u>

See accompanying notes to the financial statements

FOOD FOR THE POOR OF CANADA, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 12,234	\$ 143,382
Changes in non-cash working capital balances		
Decrease (increase) in donations receivable	(14,156)	7,284
Decrease (increase) harmonized sales tax recoverable	(8,071)	2,706
Increase in prepaid rent	(5,927)	-
Increase in inventory	(39,567)	-
Decrease in accounts payable and accrued liabilities	(2,835)	(5,937)
Increase in deferred contributions	<u>146,486</u>	<u>56,475</u>
Increase in cash	88,164	203,910
Cash, beginning of year	<u>366,466</u>	<u>162,556</u>
Cash, end of year	<u>\$ 454,630</u>	<u>\$ 366,466</u>

See accompanying notes to the financial statements

FOOD FOR THE POOR OF CANADA, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

1. NATURE OF ORGANIZATION

Food for the Poor of Canada, Inc. ("FFPC") was incorporated under the laws of Canada on January 8, 1991 and is registered as a charitable organization under the Income Tax Act (Canada). As such, it is exempt from income tax and may issue charitable tax receipts.

FFPC works across the Caribbean and Latin America, building strong and prosperous communities through basic aid and sustainable community development through a community-led approach. FFPC asks communities to tell them what their needs are and then mobilizes to help. The Canadian affiliate of Food For The Poor international, FFPC empowers communities through five areas of programming: food, housing, education, health and livelihood. FFPC responds to urgent needs while building community and social infrastructure with the goal of creating prosperous communities where children and their families have what FFPC needs to flourish. FFPC 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and reflect the following policies:

Use of estimates

The preparation of financial statements in accordance 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 statement of financial position date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates were used in the allocation of salaries to program activities and recognizing accrued liabilities.

FOOD FOR THE POOR OF CANADA, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Foreign currency translation

Accounts in foreign currency have been translated into Canadian dollars as follows:

Monetary items	at exchange rates in effect at the balance sheet date
Non-monetary items	at exchange rates in effect on the dates of the transactions
Revenue and expenses	at average exchange rates prevailing during the year

Gains and losses arising from foreign currency translation are included in income.

Revenue recognition

FFPC follows the deferral method of accounting for contributions. Contributions are recognized as received or receivable if the amount to be collected can be reasonably estimated and collection is assured.

Financial instruments

FFPC's financial instruments consist of cash, donations receivable and accounts payable and accrued liabilities. Donations receivable and accounts payable and accrued liabilities are initially recognized at fair value and subsequently measured at amortized cost. Cash is measured at fair value. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument or shorter, dependent upon the expected period of cash flow. Where there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount of financial assets, measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves, but cannot exceed the the amount that would have been reported at the date of reversal, had the impairment not been recognized previously.

Cash

Bank balances, including bank overdrafts with balances that fluctuate frequently from positive to overdrawn, are presented under cash. Any investment normally qualifies as a cash equivalent when it has a short maturity of approximately three months or less from the date of acquisition.

FOOD FOR THE POOR OF CANADA, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Inventory

Inventory consists of books which are recorded at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis.

Contributed services

Much of the work of FFPC is dependent on voluntary services. Since these services are not normally purchased, and because of the difficulty in determining their fair value, such donated services are not recognized in the accounts.

FFPC does not compensate members of the board of directors. Because of the difficulty in determining their fair value, such donated services are also not recognized in the accounts.

Allocation of salaries

FFPC allocates salary to program activities by identifying the appropriate basis of allocation and applying this basis consistently each year.

3. DEFERRED CONTRIBUTIONS

The deferred contribution balance is comprised of donations received from individuals and corporations for specific programs and projects to be completed after year end.

4. COMMITMENTS

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

2019	\$	23,400
2020		23,400
2019		<u>1,950</u>
	\$	<u>48,750</u>

5. DONATIONS

Included in donations is an in-kind donation of financial securities in the amount of \$13,676 (2017 - \$NIL).

FOOD FOR THE POOR OF CANADA, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

6. CONTRIBUTIONS OF MEDICAL AID, EDUCATIONAL AND FOOD SUPPLIES

FFPC receives contributions of medical supplies, educational material, and food for distribution. These items have been recognized as revenue and associated cost at their fair value where this can be reasonably estimated and where ownership has transferred to FFPC.

7. FUNDRAISING

Fundraising expense includes the following:

	2018	2017
Allocated salaries	\$ 70,793	\$ 78,289
Consulting	6,104	1,103
Events	7,700	8,430
Other	<u>23,324</u>	<u>21,749</u>
	<u>\$ 107,921</u>	<u>\$ 109,571</u>

8. SALARIES

Salaries have been allocated as follows for 2018 and 2017:

	2018			
	Administration	Fundraising	Program	Total
Executive Director	20%	30%	50%	100%
Director of Programming	-	10%	90%	100%
Fund Development Administrator	-	100%	-	100%
Administrator	30%	20%	50%	100%
	2017			
	Administration	Fundraising	Program	Total
Executive Director	-	30%	70%	100%
Director of Programming	-	10%	90%	100%
Fund Development Administrator	-	100%	-	100%
Administrator	30%	20%	50%	100%

FOOD FOR THE POOR OF CANADA, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2018

9. PROJECT FUNDS FOR EDUCATION AND HOUSING INITIATIVES

FFPC 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.

10. FINANCIAL INSTRUMENTS

FFPC regularly evaluates and manages the principal risks assumed with its financial instruments. The risks that arise from transacting in financial instruments include credit risk, fair value risk, and interest rate risk. The following analysis provides a measure of FFPC's risk exposure and concentrations at the statement of financial position date. There are no significant changes in the risk exposures from the prior period.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. FFPC is exposed to credit risk from organizations raising funds on its behalf such as Helping Hands Jamaica. Given the nature of this risk, it is difficult for FFPC to take steps to manage it.

Fair value risk

The carrying values of the financial instruments cash, donations receivables and accounts payable and accrued liabilities approximates their fair values due to the immediate or short term maturity of these instruments.

Liquidity risk

Liquidity risk is the risk that FFPC will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to fair value. FFPC manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to FFPC's reputation.

Currency risk

FFPC holds cash deposits denominated in U.S. dollars. Consequently FFPC is exposed to the risk that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of FFPC's assets or liabilities denominated in currencies other than the Canadian dollar absent any organization-specific event.

At the end of the year FFPC had a U.S. dollar cash balance of \$256,365 (2017 - \$19,896).

FOOD FOR THE POOR OF CANADA, INC.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. CORRESPONDING AMOUNTS

Certain of the prior year figures have been reclassified to conform with the current year's presentation.