

Meals on Wheels (Sudbury)

**Independent Auditor's Report and
Financial Statements**

March 31, 2022

Meals on Wheels (Sudbury)

Financial Statements March 31, 2022

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Independent Auditor's Report

**To the Board of Directors of
Meals on Wheels (Sudbury)**

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Qualified Opinion

We have audited the financial statements of Meals on Wheels (Sudbury) (the "organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, 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 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 organization as at March 31, 2022, and its results of operations and its cash flows for the year then ended, in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to the above mentioned revenues, excess of revenue over expenditures, cash flows from operations, assets and net assets.

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 qualified opinion.

ACCOUNTING • TAX • ADVISORY

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Independent Auditor's Report (Continued)

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 ASNPO, 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.

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.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 co-operative'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 co-operative 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.

Sudbury, Ontario
June 22, 2022

Baker Tilly SNT LLP
CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Meals on Wheels (Sudbury)
Statement of Financial Position
March 31, 2022



	<u>Meals on Wheels</u>	<u>Home of Our Own</u>	<u>2022</u>	<u>2021</u>
Assets				
Current Assets				
Cash	\$ 360,911	\$ 86,128	\$ 447,039	\$ 468,517
Accounts receivable (note 3)	86,576	19,768	106,344	136,023
Inventory	-	34,523	34,523	22,176
Prepaid expenses	3,271	-	3,271	3,271
Interfund balance (note 4)	<u>(68,558)</u>	<u>68,558</u>	<u>-</u>	<u>-</u>
	382,200	208,977	591,177	629,987
Tangible capital assets (note 5)	17,907	120,854	138,761	34,238
Internally restricted investments (note 6)	<u>59,481</u>	<u>-</u>	<u>59,481</u>	<u>55,946</u>
	<u>\$ 459,588</u>	<u>\$ 329,831</u>	<u>\$ 789,419</u>	<u>\$ 720,171</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (note 8)	\$ 46,588	\$ 12,114	\$ 58,702	\$ 72,202
Deferred contributions (note 9)	915	-	915	114,979
Current portion of long-term debt	<u>3,736</u>	<u>-</u>	<u>3,736</u>	<u>3,596</u>
	51,239	12,114	63,353	190,777
Long-term debt (note 10)	3,499	-	3,499	7,235
Deferred capital contributions (note 11)	<u>6,076</u>	<u>120,340</u>	<u>126,416</u>	<u>15,963</u>
	<u>60,814</u>	<u>132,454</u>	<u>193,268</u>	<u>213,975</u>
Net Assets				
Unrestricted net assets	6,263	177,543	183,806	187,014
Invested in tangible capital assets	11,831	514	12,345	18,277
Internally restricted net assets				
Contingency reserve	80,680	19,320	100,000	50,000
Capital reserve	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>250,905</u>
	<u>398,774</u>	<u>197,377</u>	<u>596,151</u>	<u>506,196</u>
	<u>\$ 459,588</u>	<u>\$ 329,831</u>	<u>\$ 789,419</u>	<u>\$ 720,171</u>

Commitments and contingencies (note 12)

Approved by the Board:

Director

Director

The accompanying notes are an integral part of these financial statements.

Meals on Wheels (Sudbury)
Statement of Changes in Net Assets
For The Year Ended March 31, 2022



	<u>Meals on Wheels</u>	<u>Home of Our Own</u>	<u>Invested in Tangible Capital Assets</u>	<u>Contingency Reserve</u>	<u>Capital Reserve</u>	<u>2022</u>	<u>2021</u>
Net assets, beginning of year	\$ 5,962	\$ 181,052	\$ 18,277	\$ 50,000	\$ 250,905	\$ 506,196	\$ 291,649
Excess of revenues over expenditures	15,253	74,702	-	-	-	89,955	214,547
Internally restricted transfer	(19,320)	(79,775)	-	50,000	49,095	-	-
Investment in tangible capital assets	<u>4,368</u>	<u>1,564</u>	<u>(5,932)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 6,263</u>	<u>\$ 177,543</u>	<u>\$ 12,345</u>	<u>\$ 100,000</u>	<u>\$ 300,000</u>	<u>\$ 596,151</u>	<u>\$ 506,196</u>

The accompanying notes are an integral part of these financial statements.

Meals on Wheels (Sudbury)
Statement of Operations
For The Year Ended March 31, 2022



	Meals on Wheels	Home of Our Own	2022	2021
Revenues				
MOHLTC-NELHIN	\$ 443,127	\$ -	\$ 443,127	\$ 444,547
Client fees	415,706	9,893	425,599	435,983
Catering	-	184,269	184,269	293,192
OCSA	23,025	-	23,025	146,787
Donations and fundraising	55,629	45,000	100,629	93,311
Other funding	25,000	24,600	49,600	28,910
Daycare	-	37,170	37,170	28,252
Interest and other revenue	10,897	23,125	34,022	24,844
Amortization of deferred capital contributions	6,076	2,871	8,947	7,799
	<u>979,460</u>	<u>326,928</u>	<u>1,306,388</u>	<u>1,503,625</u>
Expenditures				
Advertising and promotion	5,355	-	5,355	4,818
Agency supplies and equipment	14,782	16,757	31,539	43,812
Amortization of tangible capital assets	10,936	4,512	15,448	14,894
Bad debt (recovery)	(984)	1,643	659	9,145
Building occupancy	33,213	12,392	45,605	41,395
Employee wages and benefits	332,695	221,317	554,012	593,838
Food costs	135,157	278,325	413,482	452,676
Insurance, licenses, memberships	10,337	2,109	12,446	8,950
Interest and bank charges	8,347	1,975	10,322	5,854
Meals subsidy	29,225	-	29,225	37,545
Other operating costs	20,803	6,206	27,009	30,323
Professional fees	9,450	25,050	34,500	19,100
Staff training, travel and meetings	15,800	12,531	28,331	17,931
Volunteer recognition and travel	8,667	-	8,667	13,818
	<u>633,783</u>	<u>582,817</u>	<u>1,216,600</u>	<u>1,294,099</u>
Excess (deficiency) of revenues over expenditures before transfers and undernoted items	345,677	(255,889)	89,788	209,526
Unrealized gain on investments	167	-	167	5,021
Transfer to Home of Our Own (note 13)	(330,591)	330,591	-	-
Excess of revenues over expenditures	\$ <u>15,253</u>	\$ <u>74,702</u>	\$ <u>89,955</u>	\$ <u>214,547</u>

The accompanying notes are an integral part of these financial statements.

Meals on Wheels (Sudbury)
Statement of Cash Flows
For The Year Ended March 31, 2022



	<u>2022</u>	<u>2021</u>
Cash Provided by (Used for)		
Operating Activities		
Cash receipts from grants, clients, donations and other	\$ 1,209,585	\$ 1,542,778
Cash paid to suppliers and employees	(1,216,677)	(1,242,512)
Interest income	3,638	4,323
Interest expense	(10,322)	(5,854)
	<u>(13,776)</u>	<u>298,735</u>
Investing Activities		
Purchase of tangible capital assets	(119,970)	(3,763)
Decrease (increase) of restricted investments	(3,536)	94,959
	<u>(123,506)</u>	<u>91,196</u>
Financing Activities		
Repayment of long-term debt	(3,596)	(3,507)
Deferred capital contributions received	119,400	-
	<u>115,804</u>	<u>(3,507)</u>
Increase (Decrease) in Cash	(21,478)	386,424
Cash, Beginning of Year	<u>468,517</u>	<u>82,093</u>
Cash, End of Year	<u><u>\$ 447,039</u></u>	<u><u>\$ 468,517</u></u>

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations

Meals on Wheels (Sudbury) ("the organization") is a non-profit corporation without share capital, constituted under the laws of the province of Ontario and is a registered charity under the Income Tax Act.

Meals on Wheels (Sudbury) is a community-focused organization embracing volunteerism in the provision of nutritious meals and services.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Fund Accounting

Revenues and expenditures related to program delivery and administrative activities are reported in the Meals on Wheels fund.

Revenues and expenditures related to the operations of the kitchen, including catering contracts are reported in the Home of Our Own ("HOO") fund.

(b) Internally Restricted Reserves

The Contingency Reserve is an internally restricted reserve for unforeseen expenditures.

The Capital Reserve is an internally restricted reserve held for tangible capital assets expenditures.

(c) Investments

Internally restricted investments are recorded at fair market value. Unrealized gains and losses are included in the statement of operations in the period they occur.

(d) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

2. Significant Accounting Policies (Continued)

(e) Tangible Capital Assets

Tangible capital assets are recorded at cost. The organization provides for amortization using the declining balance method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Automotive	30%
Computer equipment	30% and 45%
Kitchen equipment	20%
Office equipment	20%

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

(f) Revenue and Expenditures Recognition

The organization follows the deferral method of accounting for contributions which includes grants. Funds externally restricted under the terms of applicable funding agreements are recognized as revenue in the year in which the related expenditures 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.

Donations and fundraising and unrestricted investment income is recognized as revenue when earned.

Client fees, catering, daycare and other revenues are recognized when the services are provided and collection is reasonably assured.

(g) Donated Goods and Services

Donated tangible capital assets are recorded at fair value when received.

Donated materials and services which would otherwise be paid for by the organization are recorded at fair value when fair value can be reasonably estimated.

Volunteers contribute a significant amount of time to assist the organization in carrying out its service delivery activities. Due to the difficulty of determining the fair value of these voluntary activities, they are not recognized in the financial statements.

2. Significant Accounting Policies (Continued)

(h) Financial Instruments

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The organization subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the statement operations in the period they occur.

Financial assets measured at amortized cost include cash and accounts receivable. Financial assets measured at fair value include internally restricted investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

Financial assets measured at other than fair value are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in operation, in the period it is identified and measurable, up to the amount of the previously recognized impairment.

(i) 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 at the date of the financial statements and the amount of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are the allowance for doubtful accounts receivable, the useful life of tangible capital assets and related amortization and accrued liabilities.

2. Significant Accounting Policies (Continued)

(i) Use of Estimates (Continued)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and measures introduced at various levels of government to curtail the spread of the virus, such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing has adversely affected workforces, customers, economies and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many entities. This outbreak could adversely impact the results of the organization's financial performance. The extent of the impact of this outbreak and related containment measures on the organization's operations cannot be reliably estimated at this time.

3. Accounts Receivable

	<u>2022</u>	<u>2021</u>
Client fees	\$ 63,886	\$ 73,905
Catering	23,362	51,803
HST/GST rebate	22,691	12,266
Allowance for doubtful accounts	<u>(3,595)</u>	<u>(1,951)</u>
	<u><u>\$ 106,344</u></u>	<u><u>\$ 136,023</u></u>

4. Interfund Balance

The amount owing to HOO by Meals on Wheels is non-interest bearing and paid on a monthly basis.

5. Tangible Capital Assets

	<u>2022</u>			<u>2021</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Automotive	\$ 47,195	\$ 35,732	\$ 11,463	\$ 16,376
Leasehold improvements	203,105	88,380	114,725	6,576
Computer equipment	35,739	33,244	2,495	3,810
Kitchen equipment	4,552	455	4,097	-
Office equipment	49,614	43,633	5,981	7,476
	<u>\$ 340,205</u>	<u>\$ 201,444</u>	<u>\$ 138,761</u>	<u>\$ 34,238</u>

6. Internally Restricted Investments

	<u>2022</u>	<u>2021</u>
Credential Asset Management Portfolio investments, cost - \$55,121 (2021 - \$51,752)	<u>\$ 59,481</u>	<u>\$ 55,946</u>

7. Bank Indebtedness

HOO has a line of credit with the Sudbury Credit Union to a maximum of \$10,000. The line is unsecured and interest is charged at 5.1% per annum. At year-end, no balance was drawn on this facility (2021 - \$ nil).

8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$10,971 (2021 - \$11,653).

9. Deferred Contributions

	<u>2022</u>	<u>2021</u>
Ontario Trillium Foundation		
- Resilient Communities Fund grant	\$ -	\$ 114,000
Giant Tiger gift card donations	<u>915</u>	<u>979</u>
	<u>\$ 915</u>	<u>\$ 114,979</u>

10. Long-Term Debt

	<u>2022</u>	<u>2021</u>
Scotiabank loan payable at \$329 monthly including interest at 3.85% per annum, due February 2024, secured by a specified vehicle with a net book value of \$8,875 (2021 - \$12,678)	\$ 7,235	\$ 10,831
Less: Current portion	<u>3,736</u>	<u>3,596</u>
	<u><u>\$ 3,499</u></u>	<u><u>\$ 7,235</u></u>
Estimated principal repayments are as follows:		
2023	\$ 3,736	
2024	<u>3,499</u>	
	<u><u>\$ 7,235</u></u>	

11. Deferred Capital Contributions

Deferred capital contributions represent restricted contributions with which the organization's tangible capital assets were originally purchased. The changes in the deferred capital contributions balance for the year are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 15,963	\$ 23,762
Add: Contributions received during the year	119,400	-
Less: Amounts amortized to revenue	<u>(8,947)</u>	<u>(7,799)</u>
Balance, end of year	<u><u>\$ 126,416</u></u>	<u><u>\$ 15,963</u></u>

12. Commitments and Contingencies

Lease

The organization has entered into a lease agreement with the City of Greater Sudbury that expires on December 2025.

Estimated annual lease payments are as follows:

2023	\$	38,005
2024		38,005
2025		38,005
2026		28,504

Grants

The organization receives subsidies and contributions from various funding agencies. Pursuant to the related agreements, if the organization does not meet established objectives, the funding agencies are entitled to seek refunds. Should any amounts become refundable, the refunds would be charged to operations in the period in which the refund is determined to be payable.

13. Transfer to Home of Our Own

The majority of meals for the Meals on Wheels program are prepared by HOO. The transfer to HOO represents the value of meals purchased by the Meals on Wheels fund from the Kitchen fund. These transactions are measured and recorded in the accompanying financial statements at the exchange amount that is the amount establish and agreed to by the related funds.

14. Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

14. Financial Instruments (Continued)

The financial instruments of the organization and the nature of the risks to which it may be subject are as follows:

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity date. The fair value of long-term debt is approximately equal to its carrying value since the applicable interest rates are comparable to the market rates.

(b) Credit risk

Credit risk is the risk of a financial loss to the organization if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

The organization's main credit risks relate to its cash, investments and accounts receivable.

Credit risk associated with cash and investments is minimized by ensuring that these financial assets are placed with reputable financial institutions that have high credit ratings.

The organization incurs receivable transactions in the normal course of operations and has credit risk exposure relating to its accounts receivable balances of \$106,344 (2021 - \$136,023). The organization minimizes this risk through management's on going monitoring of amounts receivable and collections including analysis of how long amounts have been outstanding. An allowance for doubtful accounts is recorded when applicable.

(c) Liquidity risk

Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization has liquidity risk associated with its accounts payable and accrued liabilities and long-term debt. The organization reduces its exposure to liquidity risk through management's on-going cash requirements monitoring processes including documenting when authorized payments become due and maintaining adequate cash resources including a line of credit to repay creditors including long-term debt interest and principal payments as those liabilities become due.

15. Comparative Figures

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.