

HARVEST MANITOBA INC.

Financial Statements
For the year ended March 31, 2021

HARVEST MANITOBA INC.

Financial Statements

For the year ended March 31, 2021

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Independent Auditor's Report

To the Board of Directors of Harvest Manitoba Inc.

Qualified Opinion

We have audited the financial statements of Harvest Manitoba Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statement of operations, the statement of changes in net assets and the 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 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 Organization as at March 31, 2021, 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 charitable organizations, the Organization derives revenue from cash donations 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 might be necessary to donations and fundraising events revenue, excess of revenue over expenses, and cash flows from operations for the year ended March 31, 2021, current assets as at March 31, 2021, and net assets as at April 1, 2020 and March 31, 2021. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly 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 qualified 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 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.



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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 17, 2021


HARVEST MANITOBA INC.
Statement of Financial Position


As at March 31	2021	2020
Assets		
Current Assets		
Cash and bank	\$ 5,486,609	\$ 667,606
Restricted cash and bank (Note 5)	821,323	888,321
Accounts receivable	98,441	76,826
Prepaid expenses	344,303	179,979
	6,750,676	1,812,732
Investments (Note 3)	25,380	25,145
Restricted cash and bank (Note 8)	1,680,000	500,000
Capital assets (Note 4)	5,740,227	5,285,658
	\$ 14,196,283	\$ 7,623,535

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued liabilities	\$ 268,236	\$ 240,236
Deferred contributions (Note 5)	821,323	888,321
	1,089,559	1,128,557
Deferred contributions related to capital assets (Note 6)	4,253,479	4,197,303
	5,343,038	5,325,860
Net Assets		
Unrestricted	5,686,497	492,486
Restricted for Stabilization (Note 8)	1,680,000	700,000
Invested in capital assets	1,486,748	1,105,189
	8,853,245	2,297,675
	\$ 14,196,283	\$ 7,623,535

Approved on behalf of the Board of Directors:





HARVEST MANITOBA INC. Statement of Operations

For the year ended March 31	2021	2020
Revenue		
Contributions related to capital assets (Note 6)	\$ 323,870	\$ 299,076
Donations		
Unrestricted	9,982,195	2,685,663
In-kind	493,667	387,201
Restricted for Breakfast2Go (Note 5)	186,288	93,500
Restricted for First Steps (Note 5)	179,744	105,207
Fundraising events	597,712	693,149
Grants	465,218	167,174
Investment income and other	44,417	21,130
	12,273,111	4,452,100
Expenses		
Board	1,808	16,572
Breakfast2Go	186,288	93,500
Community engagement	2,692	16,583
First Steps	179,744	105,207
Food distribution	2,603,759	1,521,984
Fundraising	354,653	195,491
Salaries and benefits	1,864,057	2,065,016
Support services	487,600	389,370
Volunteer services	36,940	66,973
	5,717,541	4,470,696
Excess (deficiency) of revenue over expenses for the year	\$ 6,555,570	\$ (18,596)

HARVEST MANITOBA INC. Statement of Changes in Net Assets

For the year ended March 31					2021	2020
	Unrestricted	Internally Restricted (Note 8)	Invested in Capital Assets	Total	Total	
Net assets, beginning of year	\$ 492,486	\$ 700,000	\$ 1,105,189	\$ 2,297,675	\$ 2,316,271	
Excess (deficiency) of revenue over expenses for the year	6,641,961	-	(86,391)	6,555,570	(18,596)	
Interfund Transfers						
Board transfer	(980,000)	980,000	-	-	-	
Acquisition of capital assets	(500,463)	-	500,463	-	-	
Proceeds on disposal of capital assets	32,513	-	(32,513)	-	-	
Net assets, end of year	\$ 5,686,497	\$ 1,680,000	\$ 1,486,748	\$ 8,853,245	\$ 2,297,675	

HARVEST MANITOBA INC. Statement of Cash Flows

For the year ended March 31	2021	2020
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses for the year	\$ 6,555,570	\$ (18,596)
Adjustments for items not affecting cash		
Amortization of capital assets	418,022	369,149
Deferred contributions related to capital assets	(323,870)	(299,076)
Gain on disposal of capital assets	(7,761)	(800)
Compounded interest on investments	(235)	(305)
	6,641,726	50,372
Changes in non-cash operating working capital balances		
Accounts receivable	(21,615)	21,021
Prepaid expenses and deposits	(164,324)	22,909
Accounts payable and accrued liabilities	28,000	104,134
Deferred contributions	(66,998)	157,700
	6,416,789	356,136
Cash Flows from Investing Activities		
Acquisition of capital assets	(897,343)	(148,753)
Proceeds from disposal of capital assets	32,513	800
	(864,830)	(147,953)
Cash Flows from Financing Activities		
Contributions related to capital assets acquisition	380,046	185,587
Change in restricted cash and bank	(1,113,002)	42,300
	(732,956)	227,887
Net increase in cash and bank during the year	4,819,003	436,070
Cash and bank, beginning of year	667,606	231,536
Cash and bank, end of year	\$ 5,486,609	\$ 667,606

HARVEST MANITOBA INC.

Notes to Financial Statements

For the year ended March 31, 2021

1. Nature of Operations

Harvest Manitoba Inc. (the "Organization") has as its vision working together towards a healthier future for all where no Manitoban goes hungry. The Organization has as its mission to reduce food insecurity by collecting and distributing food, providing client-centred long term solutions, and advocating and informing.

The Organization is incorporated under The Corporations Act in Manitoba as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

b. Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions including grants and donations 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.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred contributions in the period in which they are received or receivable. Deferred contributions related to capital assets are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Donations-in-kind are recognized as revenue when received or receivable and measured based on the estimated fair value of similar items. Donated food is not recognized as revenue in these financial statements.

Fundraising events revenue are recognized as revenue when the event is held.

HARVEST MANITOBA INC.

Notes to Financial Statements

For the year ended March 31, 2021

2. Summary of Significant Accounting Policies (continued)

c. Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided over their estimated useful lives using the straight-line method as follows:

Building	25 years
Equipment	3 to 5 years
Paved surfaces	5 years
Vehicles	5 years

d. Contributed Services and Materials

Volunteers contributed approximately 64,700 hours in the year (132,600 hours in 2020) to assist the Organization in carrying out its service delivery activities. Volunteer hours are not recognized in the financial statements.

Not included in donations-in-kind revenue are approximately 11,440,000 pounds of donated food (10,900,000 pounds in 2020) that is used in the Organization's service delivery activities. Donated food is not recognized in the financial statements.

e. Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets in actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs are the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

f. 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 reported amounts of revenue and expenses during the reporting period. Significant estimates applied in the preparation of these financial statements include the useful lives of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

HARVEST MANITOBA INC. Notes to Financial Statements

For the year ended March 31, 2021

3. Investments

Investments consist of non-redeemable Guarantee Investment Certificates with interest at 1.25% maturing in June 2022 and July 2022.

4. Capital Assets

	2021			2020		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 643,905	\$ -	\$ 643,905	\$ 643,905	\$ -	\$ 643,905
Building	7,449,649	2,943,143	4,506,506	7,031,343	2,647,843	4,383,500
Vehicles	1,041,125	605,494	435,631	864,345	647,988	216,357
Computer equipment	219,212	210,070	9,142	210,493	206,705	3,788
Kitchen equipment	154,055	154,055	-	154,055	154,055	-
Office equipment	94,708	94,708	-	94,708	92,182	2,526
Paved surfaces	273,230	243,943	29,287	273,230	243,055	30,175
Warehouse equipment	498,437	382,681	115,756	372,657	367,250	5,407
Equipment under capital lease	57,000	57,000	-	57,000	57,000	-
	\$ 10,431,321	\$ 4,691,094	\$ 5,740,227	\$ 9,701,736	\$ 4,416,078	\$ 5,285,658

During the year, the Board of Directors approved renovations to the warehouse of \$417,000 to be funded by contributions and unrestricted net assets. As at March 31, 2021, warehouse renovations were completed with \$418,306 incurred and included in building costs (\$73,890 in 2020).

Amortization expense of \$418,022 (\$369,149 in 2020) has been recorded which is included in food distribution expenses and support services expenses in the amount of \$412,131 (\$365,109 in 2020) and \$5,891 (\$4,041 in 2020), respectively.

HARVEST MANITOBA INC. Notes to Financial Statements

For the year ended March 31, 2021

5. Deferred Contributions

	2021	2020
<u>Breakfast2Go</u>		
Balance, beginning of year	\$ 242,515	\$ 31,662
Add: Contributions received during the year	263,942	304,353
Less: Recognized as revenue during the year	(186,288)	(93,500)
Balance, end of year	\$ 320,169	\$ 242,515
<u>First Steps</u>		
Balance, beginning of year	509,403	540,646
Add: Contributions received during the year	71,742	73,964
Less: Recognized as revenue during the year	(179,744)	(105,207)
Balance, end of year	\$ 401,401	\$ 509,403
<u>Other</u>		
Balance, beginning of year	\$ 136,403	\$ 158,313
Add: Contributions received during the year	43,381	222,291
Less: Recognized as revenue during the year	(80,031)	(244,201)
Balance, end of year	\$ 99,753	\$ 136,403
Total deferred contributions, end of year	\$ 821,323	\$ 888,321

6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represents contributions received to fund the acquisition and construction of capital assets by the Organization with changes during the year as follows:

	2021	2020
Balance, beginning of year	\$ 4,197,303	\$ 4,310,792
Add: Contributions received during the year	380,046	185,587
Less: Recognized as revenue during the year	(323,870)	(299,076)
Balance, end of year	\$ 4,253,479	\$ 4,197,303

The balance as at March 31 consists of the following:

	2021	2020
Deferred contributions related to capital assets	\$ 4,253,479	\$ 4,180,469
Unspent contributions for future capital assets acquisition	-	16,834
Balance, end of year	\$ 4,253,479	\$ 4,197,303

HARVEST MANITOBA INC. Notes to Financial Statements

For the year ended March 31, 2021

7. Lease Commitments

The Organization has an operating lease agreement for two vehicles expiring in May 2023 requiring annual lease payments of \$13,789.

8. Net Assets Restricted for Stabilization

The Board of Directors has restricted \$1,680,000 (\$700,000 in 2020) in net assets to ensure continued operations in periods of unforeseen decreased donations. Approval is required from the Board of Directors prior to utilizing these funds. This amount is reviewed annually by the Board of Directors.

9. Financial Instruments Risk Management

The Organization, through its financial assets and liabilities, is exposed to various risks in the normal course of operations. The Organization's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Organizations' activities. The following analysis provides a measurement of those risks.

Credit Risk - Credit risk is the risk that the Organization will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist primarily of cash and bank, restricted cash and bank, and accounts receivable. The Organization holds its cash and bank at a credit union with deposits fully guaranteed. The Organization is not exposed to significant credit risk relating to the accounts receivable as the amounts due are spread among a broad client base and payment in full is typically collected when it is due, and grants are paid pursuant to signed agreements.

Liquidity Risk - Liquidity risk is the risk that the Organization will not be able to meet its obligations as they fall due. The Organization is exposed to liquidity risk on its accounts payable and accrued liabilities. The Organization manages its cash flow to maintain adequate levels of working capital to insure all its obligations can be met when they fall due.

10. Uncertainty Due to COVID-19 Issue

The global pandemic has disrupted economic activities and supply chains. The Organization has adapted its programming to continue delivering services to its community of service. Although the business disruption resulting from the pandemic is expected to be temporary, given the dynamic nature of these circumstances the duration of the business disruption and its financial impacts cannot be reasonably estimated at this time. The Organization's ability to pay for its operating costs depends on its ability to continue to generate revenue, donations of food and cash flows.