

HARVEST MANITOBA INC.

Financial Statements
For the year ended March 31, 2023

HARVEST MANITOBA INC.

Financial Statements

For the year ended March 31, 2023

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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, 2023, 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, 2023, 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, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2022 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 16, 2023

HARVEST MANITOBA INC. Statement of Financial Position

As at March 31 2023 2022

Assets

Current Assets

Cash and bank	\$ 558,408	\$ 3,040,893
Restricted cash and bank (Note 6)	1,939,349	683,135
Investments (Note 3)	6,327,362	3,384,215
Gift cards and credits (Note 4)	257,594	182,236
Interest and accounts receivable	142,012	81,830
Inventory of purchased food	510,919	-
Prepaid expenses	35,906	58,103
	9,771,550	7,430,412

Restricted cash and bank (Note 9) 1,545,000 1,310,000

Capital assets (Note 5) 5,810,125 5,693,175

\$ 17,126,675 \$ 14,433,587

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities	\$ 753,849	\$ 396,134
Deferred contributions (Note 6)	1,939,349	683,135
	2,693,198	1,079,269

Deferred contributions related to capital assets (Note 7) 3,733,165 4,014,861

6,426,363 5,094,130

Net Assets

Unrestricted	1,183,352	1,241,143
Restricted for Stabilization Fund (Note 9)	3,090,000	2,620,000
Restricted for Resilience Fund (Note 10)	4,350,000	3,800,000
Invested in capital assets	2,076,960	1,678,314
	10,700,312	9,339,457

10,700,312 9,339,457

\$ 17,126,675 \$ 14,433,587

Approved on behalf of the Board of Directors:





HARVEST MANITOBA INC. Statement of Operations

For the year ended March 31	2023	2022
Revenue		
Contributions related to capital assets (Note 7)	\$ 345,976	\$ 338,618
Donations		
Unrestricted	5,424,776	4,745,863
In-kind	496,365	1,469,538
COVID-19 donations and grants	279,207	749,418
Restricted for First Steps (Note 6)	208,246	174,027
Restricted for Meals2Go (Note 6)	353,451	331,547
Fundraising events	661,114	483,393
Grants		
Restricted for Provincial Food Security Fund (Note 6)	504,034	-
Other	820,386	314,368
Investment income and other	186,132	90,082
	9,279,687	8,696,854
Expenses		
Board	5,963	3,749
Meals2Go	353,451	331,547
Community engagement	84,750	10,170
First Steps	208,246	174,027
Food distribution (Note 11)	2,737,090	2,549,997
Fundraising	398,527	382,533
In-kind expenses	496,365	1,469,538
Salaries and benefits	3,122,179	2,563,517
Support services	456,741	675,711
Volunteer services	55,520	49,853
	7,918,832	8,210,642
Excess of revenue over expenses for the year	\$ 1,360,855	\$ 486,212

HARVEST MANITOBA INC.
Statement of Changes in Net Assets

For the year ended March 31, 2023

	Unrestricted	Stabilization Fund (Note 9)	Resilience Fund (Note 10)	Invested in Capital Assets	2023 Total	2022 Total
Net assets, beginning of year	\$ 1,241,143	\$ 2,620,000	\$ 3,800,000	\$ 1,678,314	\$ 9,339,457	\$ 8,853,245
Excess (deficiency) of revenue over expenses for the year	1,558,404	-	-	(197,549)	1,360,855	486,212
Interfund Transfers						
Board transfers (Notes 9 and 10)	(1,020,000)	470,000	550,000	-	-	-
Acquisition of capital assets	(597,455)	-	-	597,455	-	-
Proceeds on disposal of capital assets	1,260	-	-	(1,260)	-	-
Net assets, end of year	\$ 1,183,352	\$ 3,090,000	4,350,000	\$ 2,076,960	\$ 10,700,312	\$ 9,339,457

HARVEST MANITOBA INC. Statement of Cash Flows

For the year ended March 31	2023	2022
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	\$ 1,360,855	\$ 486,212
Adjustments for items not affecting cash		
Amortization of capital assets	544,785	491,436
Deferred contributions related to capital assets	(345,976)	(338,618)
Gain on disposal of capital assets	(1,260)	(3,045)
	1,558,404	635,985
Changes in non-cash operating working capital balances		
Gift cards and deposits	(75,358)	-
Interest and accounts receivable	(60,182)	16,611
Inventory	(510,919)	-
Prepaid expenses	22,197	103,964
Accounts payable and accrued liabilities	357,715	127,898
Deferred contributions	1,256,214	(138,188)
	2,548,071	746,270
Cash Flows from Investing Activities		
Acquisition of capital assets	(661,735)	(444,384)
Proceeds from disposal of capital assets	1,260	3,045
Purchase of investments	(2,943,147)	(3,358,835)
	(3,603,622)	(3,800,174)
Cash Flows from Financing Activities		
Contributions related to capital assets acquisition	64,280	100,000
Change in restricted cash and bank	(1,491,214)	508,188
	(1,426,934)	608,188
Net decrease in cash and bank during the year	(2,482,485)	(2,445,716)
Cash and bank, beginning of year	3,040,893	5,486,609
Cash and bank, end of year	\$ 558,408	\$ 3,040,893

HARVEST MANITOBA INC.

Notes to Financial Statements

For the year ended March 31, 2023

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.

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, 2023

2. Summary of Significant Accounting Policies (continued)

c. Inventory of Purchased Food

Food which has been purchased but not yet distributed to individuals or community agency partners is recorded on the Statement of Financial Position at the lower of cost and current replacement cost. The cost of inventory is determined on a first-in, first-out basis. As donated food has no net realizable value, it is not included in the inventory balance.

d. 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
Vehicles	5 years
Equipment	3 to 5 years
Paved surfaces	5 years

e. Contributed Services and Materials

Volunteers contributed approximately 65,469 hours in the year (43,026 hours in 2022) 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 10,150,000 pounds of donated food (11,960,000 pounds in 2022) that is used in the Organization's service delivery activities. Donated food is not recognized in the financial statements.

Food Banks Canada has determined an average value of food of \$3.21 per pound. The value of donated food is approximately \$32,581,500 (\$31,335,200 in 2022).

f. 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 on the Statement of Operations. 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.

HARVEST MANITOBA INC. Notes to Financial Statements

For the year ended March 31, 2023

2. Summary of Significant Accounting Policies (continued)

g. 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.

3. Investments

Investments consist of non-redeemable Guarantee Investment Certificates with interest ranging from 2.50% to 5.00%, maturing between April 2023 and March 2024.

4. Gift Cards and Deposits

As at March 31, 2023, the Organization had on hand \$257,594 (\$182,236 in 2022) of donated gift cards and store credits. These gift cards and store credits can be exchanged for food products of the same monetary value.

5. Capital Assets

	2023			2022		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 643,905	\$ -	\$ 643,905	\$ 643,905	\$ -	\$ 643,905
Building	8,167,101	3,603,949	4,563,152	7,685,204	3,262,228	4,422,976
Vehicles	1,091,776	744,569	347,207	1,059,052	633,584	425,468
Computer equipment	304,081	239,034	65,047	243,676	220,177	23,499
Kitchen equipment	154,055	154,055	-	154,055	154,055	-
Office equipment	102,138	96,294	5,844	95,208	94,808	400
Warehouse equipment	553,212	453,331	99,881	532,579	416,368	116,211
Equipment under capital lease	57,000	57,000	-	57,000	57,000	-
Paved surfaces	337,444	252,355	85,089	307,978	247,262	60,716
	\$ 11,410,712	\$ 5,600,587	\$ 5,810,125	\$ 10,778,657	\$ 5,085,482	\$ 5,693,175

Amortization expense of \$544,785 (\$491,436 in 2022) has been recorded which is included in food distribution expenses and support services expenses in the amount of \$524,442 (\$481,228 in 2022) and \$20,343 (\$10,208 in 2022), respectively.

HARVEST MANITOBA INC. Notes to Financial Statements

For the year ended March 31, 2023

6. Deferred Contributions

	2023	2022
<u>COVID-19 Designated Contributions</u>		
Balance, beginning of year	\$ 287,597	\$ -
Add: Contributions received during the year	-	1,010,000
Less: Recognized as revenue during the year	<u>(277,597)</u>	<u>(722,403)</u>
Balance, end of year	<u>\$ 10,000</u>	<u>\$ 287,597</u>
<u>First Steps</u>		
Balance, beginning of year	\$ 247,067	\$ 401,401
Add: Contributions received during the year	27,821	19,693
Less: Recognized as revenue during the year	<u>(208,246)</u>	<u>(174,027)</u>
Balance, end of year	<u>\$ 66,642</u>	<u>\$ 247,067</u>
<u>Meals2Go</u>		
Balance, beginning of year	\$ 77,555	\$ 320,169
Add: Contributions received during the year	277,770	88,933
Less: Recognized as revenue during the year	<u>(353,451)</u>	<u>(331,547)</u>
Balance, end of year	<u>\$ 1,874</u>	<u>\$ 77,555</u>
<u>Provincial Food Security Fund</u>		
Balance, beginning of year	\$ -	\$ -
Add: Contributions received during the year	2,250,000	-
Less: Recognized as revenue during the year	<u>(504,034)</u>	<u>-</u>
Balance, end of year	<u>\$ 1,745,966</u>	<u>\$ -</u>
<u>Other</u>		
Balance, beginning of year	\$ 70,916	\$ 99,753
Add: Contributions received during the year	100,800	-
Less: Recognized as revenue during the year	<u>(56,849)</u>	<u>(28,837)</u>
Balance, end of year	<u>\$ 114,867</u>	<u>\$ 70,916</u>
Total deferred contributions, end of year	<u>\$ 1,939,349</u>	<u>\$ 683,135</u>

HARVEST MANITOBA INC. Notes to Financial Statements

For the year ended March 31, 2023

7. 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:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 4,014,861	\$ 4,253,479
Add: Contributions received during the year	64,280	100,000
Less: Recognized as revenue during the year	<u>(345,976)</u>	<u>(338,618)</u>
Balance, end of year	<u>\$ 3,733,165</u>	<u>\$ 4,014,861</u>

8. Lease Commitments

The Organization has an operating lease agreement for a vehicle expiring in May 2024 requiring annual lease payments of \$21,270.

9. Net Assets Restricted for Stabilization Fund

During the year, the Board of Directors restricted \$470,000 (\$940,000 in 2022) in net assets to the Stabilization Fund 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. Half of the assets held by the Stabilization Fund is presented as restricted cash and bank in non-current assets and the balance is held in investments on the Statement of Financial Position.

10. Net Assets Restricted for Resilience Fund

During the year, the Board of Directors restricted \$550,000 (\$3,800,000 in 2022) in net assets to the Resilience Fund to support the persistent and growing food security challenges of Manitobans. This fund was made possible through the generosity of the Organization's donors during the COVID-19 pandemic and will be used in the years ahead to increase the capacity of the Organization to deliver food support in communities across the province. Approval from the Board of Directors is required prior to utilizing these funds. This amount will be reviewed annually by the Board of Directors.

HARVEST MANITOBA INC.

Notes to Financial Statements

For the year ended March 31, 2023

11. Purchased Food Distributed

During the year ended March 31, 2023, the Organization expensed food purchases totalling \$697,229 (\$467,849 in 2022) which are included in food distribution expenses on the Statement of Operations.

12. 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, investments, and accounts receivable. The Organization holds its cash and bank and investments 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. The Organization manages its cash flow to maintain adequate levels of working capital to ensure all its obligations can be met when they fall due.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the Organization's interest bearing financial instruments will fluctuate due to changes in prevailing interest rates. The Organization is exposed to interest rate risk on its cash and bank, and investments. Management frequently reviews interest rates to mitigate risk.

13. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.