

MAZON CANADA
Financial Statements
Year Ended December 31, 2020

Draft for discussion purposes only

MAZON CANADA
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Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Mazon Canada

Qualified Opinion

We have audited the financial statements of Mazon Canada (the "Organization"), which comprise the balance sheet as at December 31, 2020, and the statements of changes in net assets, revenues and expenditures 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 Organization as at December 31, 2020, 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.

Basis for Qualified Opinion

Completeness of revenue

In common with many charitable organizations, the Organization derives revenue from the general public in the form of donations and other items promoting the Organization's charitable activities, 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 contributions, excess of revenues over expenditures, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years.

Revenue recognition - contributions

As disclosed in Note 2, the Organization recognized all contributions received from donations and fundraising during the year as revenue. This is not in accordance with Canadian accounting standards for not-for-profit organizations which requires that when the deferral method of accounting for contributions is followed, restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Also, restricted and unrestricted net assets should be separately disclosed in the financial statements.

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 audit opinion.

Other Matter

The financial statements for the year ended December 31, 2019 are unaudited.

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.

In preparing the financial statements, management is responsible for assessing the Organization'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 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.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
August 13, 2021

MAZON CANADA
Balance Sheet
As at December 31, 2020

	2020	2019 <i>(Unaudited)</i>
ASSETS		
CURRENT		
Cash	\$ 180,192	\$ 290,188
Marketable securities	4,895	-
Term deposits	949,465	931,604
Sales tax recoverable	24,418	18,678
Prepaid expenses	437	6,308
	\$ 1,159,407	\$ 1,246,778
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities <i>(Note 3)</i>	\$ 64,582	\$ 13,742
Deferred provincial grant <i>(Note 4)</i>	24,000	-
	88,582	13,742
NET ASSETS	1,070,825	1,233,036
	\$ 1,159,407	\$ 1,246,778

APPROVED ON BEHALF OF THE BOARD:

_____ *Director*

See note to financial statements

MAZON CANADA
Statement of Changes in Net Assets
For the Year Ended December 31, 2020

	2020	2019 <i>(Unaudited)</i>
NET ASSETS - BEGINNING OF YEAR		
As previously reported	\$ 1,222,586	\$ 1,204,544
Prior period adjustments <i>(Note 5)</i>	10,450	2,019
As restated	1,233,036	1,206,563
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(162,211)	26,473
NET ASSETS - END OF YEAR	\$ 1,070,825	\$ 1,233,036

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MAZON CANADA
Statement of Revenues and Expenditures
For the Year Ended December 31, 2020

	2020	2019 <i>(Unaudited)</i>
REVENUES		
Donations and fundraising <i>(Note 6)</i>	\$ 926,368	\$ 584,540
Provincial grant <i>(Note 4)</i>	70,536	-
Federal wage subsidies	8,026	-
Interest income	6,479	14,219
	1,011,409	598,759
EXPENDITURES		
Salaries	172,607	136,975
Outreach materials	34,157	21,877
Software and gift processing fees	29,845	11,105
Professional fees	25,717	8,627
Employee benefits	19,374	12,440
Advertising and promotion	18,342	18,054
Rent	12,100	12,100
Office and general	8,097	13,109
Printing and stationery	4,240	3,927
Commercial insurance	3,672	4,213
Reversal of stale-dated cheques	-	(7,447)
	328,151	234,980
EXCESS OF REVENUES OVER EXPENDITURES BEFORE ALLOCATIONS	683,258	363,779
ALLOCATIONS		
Disbursements to registered charities	(838,219)	(337,306)
Direct programs	(7,250)	-
	(845,469)	(337,306)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (162,211)	\$ 26,473

See note to financial statements

MAZON CANADA
Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019 <i>(Unaudited)</i>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (162,211)	\$ 26,473
Items not affecting cash:		
Write-down of marketable securities	532	-
Writeoff of capital assets	-	345
	(161,679)	26,818
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	50,840	6,076
Deferred provincial grant	24,000	-
Prepaid expenses	5,871	(2,671)
Sales tax recoverable	(5,740)	(5,454)
	74,971	(2,049)
Cash flow from (used by) operating activities	(86,708)	24,769
INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	11,382	-
Acquisition of marketable securities	(16,809)	-
Acquisition of term deposits	(17,861)	(14,219)
Cash flow used by investing activities	(23,288)	(14,219)
INCREASE (DECREASE) IN CASH FLOW	(109,996)	10,550
Cash - beginning of year	290,188	279,638
CASH - END OF YEAR	\$ 180,192	\$ 290,188

See note to financial statements

MAZON CANADA
Notes to Financial Statements
Year Ended December 31, 2020

1. DESCRIPTION AND PURPOSE OF THE ORGANIZATION

Mazon Canada (the “Organization” or “Charity”) is a charitable organization that raises funds and distributes them to organizations that feed the hungry. The Charity is incorporated under the Ontario Business Corporation Act, as a not-for-profit organization and is a registered charity under the Income Tax Act.

The Charity is classified as a public foundation under Section 149.1 of the Income Tax Act (Canada). Since the Charity complies with the requirements specified by that Act, it is exempt from taxation and will continue to be exempt as long as it continues to comply.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by The Chartered Professional Accountants of Ontario (“CPAC”). To the extent Part III of the CPAC Handbook does not address certain matters applicable to the Organization, it will use accounting standards for private enterprises contained in Part II of the CPAC Handbook.

Revenue recognition

Contributions are recognized as revenue when the amounts to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized when earned on an accrual basis.

The Charity follows the deferral method of accounting for government grants. Unrestricted grants 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 grants are recognized as revenue in the period in which the related expenses are incurred.

Government grants and assistance

Government grants and assistance are recorded as revenue once the criteria for entitlement have been met.

Contributed services and materials

The operations of the Charity 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. Contributed material and investments whose fair market value is determinable are recorded in the financial statements at these values.

Financial instruments

The Charity initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Charity subsequently measures all its financial assets and financial liabilities at amortized cost, except for marketable securities and term deposits that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of revenue and expenditures.

Financial assets measured at cost or amortized cost include cash, sales tax recoverable, and prepaid expenses.

Financial liabilities measured at cost or amortized cost include accounts payable and accrued liabilities.

(continues)

MAZON CANADA
Notes to Financial Statements
Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Due to the disruption of the COVID-19 crisis, the Charity's operating activities could be subject to a certain level of adverse impact. Up to the date of the issuance of these financial statements, the Charity is still assessing the impact and will account for it as soon as reliable estimates have become available.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances of \$6,399 (2019 - \$9,652)

4. PROVINCIAL GRANT

During 2020, the Charity and the Province of Ontario (the "Province") executed an agreement under which the Province funded the costs of specific food rescue and redirection program expenditures incurred by the organization in its operations.

	2020
Balance - beginning of year	\$ -
Plus: Funds received during the year	94,536
Less: amount recognized as revenue during the year	(70,536)
Balance - end of year	\$ 24,000

MAZON CANADA
Notes to Financial Statements
Year Ended December 31, 2020

5. PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2020, the Charity discovered the following errors:

(a) Sales tax recoverable

- The Charity recorded recoverable amounts of sales tax as expenditures during the year ended December 31, 2019 and in the years ended on and prior to December 31, 2018 in the amounts of \$4,514 and \$1,317, respectively.

(b) Unreconciled and/or stale-dated balances

- As at the year ended December 31, 2019, the Charity reported the following balances:
 - i) Credit balances included in cash in the amount of \$7,540, primarily relating to stale-dated cheques;
 - ii) Unreconciled debit balances included in accounts payable and accrued liabilities of \$472.
- As at the year ended December 31, 2018, the Charity reported the following balances:
 - i) Credit balances included in cash in the amount of \$702, primarily relating to stale-dated cheques.

(c) Unrecorded liabilities and/or expenditures

- As at the year ended December 31, 2019, the Charity did not accrue rent expenditures of \$1,100.
- During the year ended December 31, 2019, the Charity did not record office and general expenditures of \$32.

As a result of the above, the following items appearing in the December 31, 2020 financial statements have been increased (decreased) by the following amounts:

Effect on statement of balance sheet (as at December 31, 2019)	
Cash	\$ 8,210
Sales tax recoverable	\$ 5,831
Accounts payable and accrued liabilities	\$ 1,572
Net assets	\$ 12,469
Effect on statement of changes in net assets (as at January 1, 2019)	
Opening balance	\$ 2,019
Effect on statement of changes in net assets (as at January 1, 2020)	
Opening balance	\$ 10,450
Effect on statement of revenues and expenditures (for the year ended December 31, 2019)	
Office and general	\$ 337
Professional fees	\$ (415)
Advertising and promotion	\$ (2,312)
Insurance	\$ (690)
Printing and stationery	\$ (251)
Reversal of stale-dated cheques	\$ (7,447)
Software and gift processing fees	\$ (772)
Rent	\$ 1,100
Excess (deficiency) of revenues over expenditures	\$ 10,450

6. RELATED PARTY TRANSACTIONS

Members of the board and management who are related parties to the Organization made donations of \$16,140. These transactions were carried out in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

MAZON CANADA
Notes to Financial Statements
Year Ended December 31, 2020

7. FINANCIAL RISKS

The significant financial risks to which the Charity is exposed are credit risk, liquidity risk and interest rate risk.

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Organization is exposed to credit risk from its cash and investment balances. Considering the creditworthiness of the financial institutions with which balances are held, the risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly from its accounts payable and accrued liabilities. The organization's ability to meet its obligations depends on its available cash, as well as its receipt of funds in the form of donations or advances.

(c) Interest rate risk

The Charity earns interest on interest bearing assets and pays interest on interest bearing liabilities. Interest rate risk arises due to the exposure to the effect of future changes in interest rates. The Charity is exposed to interest rate risk arising from fluctuations in interest rates on its short term investments as these investments are based on floating interest rates. The resulting income earned on these investments will fluctuate as a result of changes in market rates. In seeking to minimize the risks from interest rate fluctuations, the Charity manages exposure through its normal operating and financing activities.

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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Notes to Financial Statements
Year Ended December 31, 2020

9. ALLOCATION OF EXPENDITURES

The following summarizes the allocation of Mazon Canada's expenditures as reported in the T3010 registered charity information return for the year ended December 31, 2020:

	<u>2020</u>
<u>Gifts to qualified donees</u>	
Allocations (qualified donees)	\$ 838,219
<u>Charitable activities</u>	
Salaries	57,545
Outreach materials - education	11,386
Direct programs	7,250
	76,181
<u>Management and administration</u>	
Salaries	47,126
Software and gift processing fees	29,845
Professional fees	25,717
Employee benefits	19,374
Rent	12,100
Office and general	8,097
Printing and stationery	4,240
Commercial insurance	3,672
	150,171
<u>Fundraising</u>	
Salaries	67,936
Outreach materials - fundraising	22,771
Advertising and promotion	18,342
	109,049
	\$ 1,173,620