



GHUMMAN & PARTNERS LLP
Chartered Professional Accountants

SIKHS SERVING CANADA ASSOCIATION

Financial Statements

Year Ended December 31, 2016

SIKHS SERVING CANADA ASSOCIATION

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Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of Sikhs Serving Canada Association

We have audited the accompanying financial statements of Sikhs Serving Canada Association, which comprise the statement of financial position as at December 31, 2016 and the statements of revenues and expenses, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Sikhs Serving Canada Association derives revenue from 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 Sikhs Serving Canada Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2016, current assets and net assets as at December 31, 2016.

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Independent Auditor's Report to the Members of Sikhs Serving Canada Association *(continued)*

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sikhs Serving Canada Association as at December 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

As more fully described in Note 3 which describes the Summary of Significant Accounting Policies and particularly in the policy of donated goods. The financial statements didn't include the received and distributed foods by the Sikhs Serving Canada Association. The management has justified the departure from Canadian accounting standards for not-for-profit organizations due to inability to reasonably estimate the fair value of received foods. Our Opinion of revenues was limited to the amounts recorded in the records of Sikhs Serving Canada Association as expressed above.

Mississauga, Ontario
May 4, 2017

Ghummam & Partners LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

SIKHS SERVING CANADA ASSOCIATION

Statement of Financial Position

December 31, 2016

| | 2016 | 2015 |
|--|-------------------|-------------------|
| ASSETS | | |
| CURRENT | | |
| Cash <i>(Note 4)</i> | \$ 244,728 | \$ 77,804 |
| Accounts receivable from employees <i>(Note 5)</i> | 1,500 | 1,500 |
| Harmonized sales tax recoverable | 22,165 | 58,500 |
| Prepaid expenses <i>(Note 6)</i> | 24,476 | 17,951 |
| TOTAL ASSETS | \$ 292,869 | \$ 155,755 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT | | |
| Accounts payable and accrued liabilities <i>(Note 7)</i> | \$ 7,500 | \$ 32,605 |
| Short term loans <i>(Note 8)</i> | 15,000 | 55,000 |
| Deferred rent liabilities | 14,103 | 17,578 |
| | 36,603 | 105,183 |
| DEFERRED CONTRIBUTIONS <i>(Note 9)</i> | 156,181 | 133,805 |
| TOTAL LIABILITIES | 192,784 | 238,988 |
| NET ASSETS <i>(Note 10)</i> | 100,085 | (83,233) |
| TOTAL LIABILITIES AND NET ASSETS | \$ 292,869 | \$ 155,755 |

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

SIKHS SERVING CANADA ASSOCIATION**Statement of Revenues and Expenses****For the Year Ended December 31, 2016**

| | 2016 | 2015 |
|--|-------------------|---------------------|
| REVENUES | | |
| Donations | \$ 500,807 | \$ 282,303 |
| Region of Peel <i>(Note 9)</i> | 140,200 | 72,960 |
| Canada Summer Jobs Fund <i>(Note 9)</i> | 51,069 | 6,286 |
| Community Fund of Mississauga <i>(Note 9)</i> | 27,185 | 29,815 |
| Ontario Trillium Foundation Fund <i>(Note 9)</i> | 13,245 | 31,975 |
| Senior Community Fund <i>(Note 9)</i> | 3,532 | 4,047 |
| United Way Fund <i>(Note 9)</i> | - | 18,267 |
| Inspirit Foundation <i>(Note 9)</i> | - | 6,250 |
| | <u>736,038</u> | <u>451,903</u> |
| EXPENSES | | |
| Salaries and wages | 271,288 | 330,049 |
| Rent | 121,479 | 123,093 |
| Food-raising and fundraising | 44,994 | 34,623 |
| Warehouse and office | 25,380 | 38,516 |
| Food costs | 24,061 | 42,912 |
| Professional fees | 21,872 | 29,853 |
| Utilities | 16,519 | 18,081 |
| Volunteers | 6,244 | 2,456 |
| Telephone | 5,456 | 8,151 |
| Vehicle | 4,705 | 1,496 |
| Insurance | 4,156 | 332 |
| Meals and entertainment | 2,350 | 2,487 |
| Business taxes, licenses and memberships | 2,100 | 3,293 |
| Interest and bank charges | 1,219 | 728 |
| Travel | 897 | 4,159 |
| | <u>552,720</u> | <u>640,229</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | \$ 183,318 | \$ (188,326) |

SIKHS SERVING CANADA ASSOCIATION

Statement of Changes in Net Assets

For the Year Ended December 31, 2016

| | 2016 | 2015 |
|--|--------------------|-------------|
| NET ASSETS - BEGINNING OF YEAR | \$ (83,233) | \$ 105,093 |
| EXCESS OF REVENUES OVER EXPENSES | 183,318 | (188,326) |
| NET ASSETS - END OF YEAR <i>(Note 10)</i> | \$ 100,085 | \$ (83,233) |

SIKHS SERVING CANADA ASSOCIATION**Statement of Cash Flow****For the Year Ended December 31, 2016**

| | 2016 | 2015 |
|---|-------------------|------------------|
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses | \$ 183,318 | \$ (188,326) |
| Changes in non-cash working capital: | | |
| Accounts receivable | - | 5,252 |
| Accounts payable and accrued liabilities | (25,105) | (6,252) |
| Deferred rent liabilities | (3,475) | 5,312 |
| Prepaid expenses | (6,525) | 7,957 |
| Harmonized sales tax payable | 36,335 | (7,210) |
| Deferred contributions | 22,376 | 132,539 |
| | <u>23,606</u> | <u>137,598</u> |
| Cash flow from (used by) operating activities | <u>206,924</u> | <u>(50,728)</u> |
| FINANCING ACTIVITY | | |
| Short term loans | <u>(40,000)</u> | 49,000 |
| INCREASE (DECREASE) IN CASH FLOW | 166,924 | (1,728) |
| Cash - beginning of year | <u>77,804</u> | <u>79,532</u> |
| CASH - END OF YEAR <i>(Note 4)</i> | \$ 244,728 | \$ 77,804 |

SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2016

1. DESCRIPTION OF ORGANIZATION

SIKHS SERVING CANADA ASSOCIATION (the "Charitable Organization") is a not-for-profit organization incorporated under the Federal Not-for-profit Corporations Act on January 28, 2009. As a registered charity the Charitable Organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Charitable Organization provides safe, nutritious and culturally appropriate food to low income families living in Mississauga's L5B, L5C, L4V, L5S, L4T, L5T, and L5P postal codes through the Wolfedale Road and Slough Street locations.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Sikhs Serving Canada Association follows the deferral method of accounting for contributions. Accordingly, there are three types of contributions:

1. A restricted contribution is a contribution subject to externally imposed stipulations as specified by the donor.
2. An endowment contribution is a type of restricted contribution specifying that the resources contributed be maintained permanently.
3. An unrestricted contribution has no externally imposed conditions and the Charitable Organization is free to use the funds in any manner it chooses.

Under the Deferral Method, the accounting treatment differs depending on the type of contribution and its purpose:

- A restricted contribution that is directed to expenditures in the current period is included in revenues of the current period.
- An externally restricted contribution for future expenditures is called a Deferred Contribution. When deferred contributions are utilized for operating expenses in a future period (expended as specified by the donor), the term used at that time is Recognition of Deferred Contributions and the amount is shown as a revenue item in that period.
- If the restricted contribution is for the purchase of a capital asset, the contribution is deferred and taken into revenues as the asset so acquired is amortized (i.e., depreciated) in the Charitable Organization's accounts. The term used in this case is Amortization of Deferred Contributions.
- An endowment contribution, which is essentially an asset contribution to be held in perpetuity, is recorded as an increase in a category of net assets called Net Assets Restricted for Endowments.
- An unrestricted contribution is taken into revenues immediately and forms part of the Unrestricted Net Assets balance if not expended in the current period.
- The Board of Directors can decide to designate a portion of the Charitable Organization's unrestricted net assets for certain purposes (e.g., research, special projects), in which case it is noted as Internally Restricted Net Assets.

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SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated goods

Material donated goods (other than foods) are recorded at their fair market value at the time of the donation. When a fair value can be reasonably estimated and when the donated goods would otherwise have been purchased. Fair value would be estimated using market or appraisal values at the date of the donation.

The Charitable Organization receives significant volume of food products from its food bank network through the Mississauga Food Bank, grocery retailers, and independent stores.

The volume of food products acquired and distributed was 857,920 pounds (2015: 670,724 pounds) with a value of \$2.50 per pound (research commissioned by Food Banks Canada which has determined \$2.50 per pound as a national measure for the value of food donations).

These donated food products are not reflected in the financial statements as their fair value can not be reasonably estimated.

Contributed services

The operations of the Charitable Organization 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.

Pledges

Pledges which are legally enforceable (less an allowance for amounts considered uncollectible) are recorded as receivable in the year made. Pledges to support current operations are recorded as operating fund receipts. Pledges made for the acquisition of property or to support future operations are recorded as deferred amounts in their respective fund.

Net assets

- a) Net assets invested in property and equipment represents the Charitable Organization's net investment in property and equipment which comprises the unamortized amount of property and equipment purchased with restricted funds.
- b) Internally restricted net assets are funds which have been designated for a specific purpose by the Charitable Organization's Board of Directors.
- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, not of transfers, and are available for general purposes.

Tangible Capital Assets

The Charitable Organization expenses all of its tangible capital assets. Its unrecorded tangible capital assets consist mainly of furniture and fixtures.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2016

3. 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.

4. CASH

As of December 31, the cash is classified as per the following:

| | <u>2016</u> | <u>2015</u> |
|--------------|-------------------|------------------|
| Unrestricted | \$ 88,547 | \$ - |
| Restricted | 156,181 | 77,804 |
| | <u>\$ 244,728</u> | <u>\$ 77,804</u> |

5. ACCOUNTS RECEIVABLE FROM EMPLOYEES

Accounts receivable from employees represent advances given to employees who make food purchases on behalf of the Charitable Organization.

6. PREPAID EXPENSES

Prepaid expenses consist of the following:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|------------------|------------------|
| Security deposits | \$ 13,963 | \$ 13,963 |
| Payroll deduction recoverable | 6,306 | - |
| Prepaid expense | 2,142 | 3,989 |
| Insurance expense recoverable | 2,065 | - |
| | <u>\$ 24,476</u> | <u>\$ 17,952</u> |

Payroll liabilities recoverable represent overpayment of government remittance.

Insurance expense recoverable represents overpayment to Workplace Safety and Insurance Board

SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2016

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

| | <u>2016</u> | <u>2015</u> |
|---------------------|-----------------|------------------|
| Accounts Payable | \$ - | \$ 25,105 |
| Accrued Liabilities | <u>7,500</u> | <u>7,500</u> |
| | <u>\$ 7,500</u> | <u>\$ 32,605</u> |

Included within accounts payables and accrued liabilities are government remittances payables amounting to \$nil (2015 : \$21,655).

8. SHORT TERM LOANS

Short term loans are from management that has provided the Charitable Organization with loans to fund its operation. As of December 31, the outstanding balances are:

| | <u>2016</u> | <u>2015</u> |
|-------------------|------------------|------------------|
| Kulvir Gill | \$ 15,000 | \$ 25,000 |
| Sundeep Bhatia | - | 20,000 |
| Gurmeet Ahluwalia | - | 10,000 |
| | <u>\$ 15,000</u> | <u>\$ 55,000</u> |

SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2016

9. DEFERRED CONTRIBUTIONS

| | Opening balance | Contributed | Recognized | 2016 |
|-------------------------------------|--------------------|-------------------|---------------------|-------------------|
| Contributors | | | | |
| Region of Peel | \$ 27,240 | \$ 131,960 | \$ (140,200) | \$ 19,000 |
| Canada Summer Jobs Fund | - | 51,069 | (51,069) | - |
| Community Foundation of Mississauga | 12,185 | 15,000 | (27,185) | - |
| Ontario Trillium Foundation | 92,026 | 58,400 | (13,245) | 137,181 |
| Senior Community Fund | 2,354 | 1,178 | (3,532) | - |
| Total | \$ 133,805 | \$ 257,607 | \$ (235,231) | \$ 156,181 |

Region of Peel

In 2016, the Region of Peel provided the Charitable Organization with two grants:

- 1) Sustainability - Core Operational Funding to assist with core operating expenses that will empower an organization to be more effective and achieve greater community impact to better deliver human and social services in Peel Region. During the year, the Charitable Organization received the 2016 grant amounting to \$112,960 which has to be used for salaries.
- 2) Operational effectiveness grant amounting to \$19,000 to increase the effectiveness of the Charitable Organization.

During the year ended December 31, 2016, the Charitable Organization incurred salaries of \$112,960 for the Sustainability - Core Operational grant.

The remaining balance of the Operational Effectiveness grant, amounting to \$19,000, is to be spent in 2017.

The Charitable Organization also had a remaining amount of \$27,240 from an organizational grant received in 2015. During the year ended December 31, 2016, the Charitable Organization incurred professional fees of \$20,537, volunteer costs of \$1,703, and warehouse and office expense \$5,000.

Canada Summer Jobs Fund

Service Canada provided the Charitable Organization with a grant of \$51,069 from the Canada Summer Job Fund to be used to hire summer students.

During the year ended December 31, 2016, withdrawals from the fund consisted of salaries of \$51,069

Community Foundation of Mississauga

In 2016, the Community Foundation of Mississauga provided the Charitable Organization with a grant of \$15,000 to launch the Seva Hamper Program, a home delivery program.

During the year, withdrawals from that fund consisted of payments for salaries of \$11,500, vehicle insurance and gas \$1,000, rent \$1,000, utilities \$1,000, and food-raising and fundraising \$500.

The Charitable Organization also had remaining amounts from two grants received in 2015: one for the Healthy Body and Healthy Mind Program with a remaining balance of \$2,185; and the second grant with a remaining amount of \$10,000 to be used for a documentary on poverty and food insecurity.

During the year, the Charitable Organization spent both of these remaining amounts by incurring salaries of \$2,185 (2015: \$24,330) and costs for the video of \$10,000 (2015:\$nil).

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SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2016

9. DEFERRED CONTRIBUTIONS *(continued)*

Ontario Trillium Foundation

In 2015, the Ontario Trillium Foundation provided the Charitable Organization a grant of \$199,400 to be paid over 24 months and to be used for the following purposes:

- (i) program expenses - \$16,000;
- (ii) to hire a food bank coordinator - \$41,400;
- (iii) for Renovations - \$132,000; and
- (iv) for Capital assets - \$10,000

During the year, the Charitable Organization received \$58,400 (2015: \$141,000).

During the year ended December 31, 2016, expenses incurred consisted of warehouse equipment \$13,245.

The remaining balance for renovations and capital asset will be spent in 2017.

Senior Community Fund

In 2015, the Charitable Organization received a Senior Community grant of \$6,400 to be used in engaging seniors in food bank activities. The Charitable Organization received the remaining amount of \$1,179 during the year ended December 31, 2016 for this purpose.

During the year ended December 31, 2016, withdrawals from the fund consisted of payments for food bank groceries of \$1,179 (2015: \$4,047) and salaries of \$2,353 (2015: \$nil).

10. NET ASSETS

As of December 31, the net assets are classified as per the following::

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|--------------------|
| Unrestricted balance (deficit) | \$ 100,085 | \$ (27,233) |
| Internally restricted balance (deficit) | - | (56,000) |
| | <u>\$ 100,085</u> | <u>\$ (83,233)</u> |

11. LEASE COMMITMENTS

The Charitable Organization has a long-term lease with respect to its premises. Future minimum lease payments are as follows:

| | |
|------|-------------------|
| 2017 | \$ 136,302 |
| 2018 | 138,356 |
| 2019 | <u>92,201</u> |
| | <u>\$ 366,859</u> |

SIKHS SERVING CANADA ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2016

12. FINANCIAL INSTRUMENTS

The Charitable Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Charitable Organization's risk exposure and concentration as of December 31, 2016.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Charitable Organization is exposed to credit risk from customers. In order to reduce its credit risk, the Charitable Organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Charitable Organization has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Charitable Organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

Unless otherwise noted, it is management's opinion that the Charitable Organization is not exposed to significant other price risks arising from these financial instruments.

13. COMPARATIVE FIGURES

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