

**Muskoka North Good Food
Co-Operative Inc.
Financial Statements
For the year ended December 31, 2022**

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Independent Auditor's Report

To the Board of Directors of Muskoka North Good Food Co-Operative Inc.

Opinion

We have audited the financial statements of Muskoka North Good Food Co-Operative Inc. (the Organization), which comprise the statement of financial position as at December 31, 2022, the statements of operations and net deficiency and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 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.

Basis for Opinion

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 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 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, Licensed Public Accountants

Huntsville, Ontario
September 23, 2024

Muskoka North Good Food Co-Operative Inc. Statement of Financial Position

December 31	2022	2021
Assets		
Current		
Cash	\$ 211,126	\$ 37,453
Short-term deposits	-	15,179
Accounts receivable	50,175	5,410
Inventory	70,433	70,433
Prepaid expenses	1,908	1,908
	<u>333,642</u>	<u>130,383</u>
Tangible capital assets (Note 2)	<u>479,163</u>	<u>224,993</u>
	\$ 812,805	\$ 355,376
Liabilities and Net Deficiency		
Current		
Accounts payable and accrued liabilities (Note 3)	\$ 317,916	\$ 141,724
Deferred contributions (Note 4)	81,502	-
Current portion of long-term debt (Note 5)	48,638	29,243
	<u>448,056</u>	<u>170,967</u>
Long-term debt (Note 5)	137,536	184,183
Deferred contributions related to tangible capital assets (Note 6)	<u>373,532</u>	<u>99,740</u>
	959,124	454,890
Net Deficiency	<u>(146,319)</u>	<u>(99,514)</u>
	\$ 812,805	\$ 355,376

On behalf of the Board:

Signed by:



Director

Muskoka North Good Food Co-Operative Inc.

Statement of Operations and Net Deficiency

For the year ended December 31	2022	2021
Revenue		
Sales	\$ 1,007,620	\$ 1,010,832
Grants (Note 8)	438,921	79,512
Events and fundraising	-	3,500
	<u>1,446,541</u>	<u>1,093,844</u>
Less contributions deferred (Note 6)	(336,320)	-
Amortization of deferred contributions (Note 6)	<u>62,528</u>	<u>32,924</u>
	<u>1,172,749</u>	<u>1,126,768</u>
Expenses		
Advertising	25,190	14,288
Amortization of tangible capital assets	111,664	79,305
Bank charges and interest	16,977	16,463
Dues, fees and licences	50	100
General and office	12,172	10,596
Insurance	7,852	7,106
Interest on long-term debt	4,179	4,379
Operations manager	5,523	2,995
Professional fees (recovery)	12,320	(1,361)
Rent	24,332	24,153
Repairs and maintenance	6,576	5,546
Store cost of goods sold (Note 7)	569,224	582,294
Store supplies	140	540
Utilities	23,526	23,682
Wages and benefits	<u>399,829</u>	<u>320,881</u>
	<u>1,219,554</u>	<u>1,090,967</u>
Excess (deficiency) of revenue over expenses	(46,805)	35,801
Gain on disposal of tangible capital assets	-	2,864
Excess (deficiency) of revenues over expenses for the year	(46,805)	38,665
Net deficiency, beginning of year	<u>(99,514)</u>	<u>(138,179)</u>
Net deficiency, end of year	<u>\$ (146,319)</u>	<u>\$ (99,514)</u>

Muskoka North Good Food Co-Operative Inc. Statement of Cash Flows

For the year ended December 31	2022	2021
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (46,805)	\$ 38,665
Adjustments for		
Amortization of tangible capital assets	111,664	79,305
Amortization of deferred contributions related to tangible capital assets	(62,528)	(32,924)
Gain on disposal of tangible capital assets	-	(2,864)
	<u>2,331</u>	<u>82,182</u>
Changes in non-cash working capital balances		
Accounts receivable	(44,765)	(3,728)
Accounts payable and accrued liabilities	176,192	(35,565)
Deferred revenue	81,502	-
	<u>215,260</u>	<u>42,889</u>
Investing activities		
Proceeds on sale of tangible capital assets	-	11,503
Purchase of tangible capital assets	(365,834)	(21,982)
Deferred contributions related to tangible capital assets	336,320	-
	<u>(29,514)</u>	<u>(10,479)</u>
Financing activities		
Additional long-term debt	2,610	12,610
Repayment of long-term debt	(29,862)	(22,958)
	<u>(27,252)</u>	<u>(10,348)</u>
Increase in cash and cash equivalents during the year	158,494	22,062
Cash and cash equivalents, beginning of year	52,632	30,570
Cash and cash equivalents, end of year	\$ 211,126	\$ 52,632
Represented by		
Cash	\$ 211,126	\$ 37,453
Short-term deposits	-	15,179
	<u>\$ 211,126</u>	<u>\$ 52,632</u>

Muskoka North Good Food Co-Operative Inc. Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies

Nature of Business	The company is incorporated under the laws of Ontario. Muskoka North Good Food Co-Operative Inc. (the Organization) is a not-for-profit, social enterprise with the mission to provide our region access to the best regional, sustainable, safe and environmentally conscious foods through the development of a community-owned grocery store and community food centre. The Organization is a not-for-profit organization and, as such, is exempt from income tax.						
Basis of Accounting	These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.						
Inventory	Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis. Cost represents direct costs plus any related shipping and freight costs.						
Tangible Capital Assets	Capital assets are recorded at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is as follows: <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Equipment</td><td style="text-align: right;">- 20% diminishing balance basis</td></tr> <tr> <td>Leasehold improvements</td><td style="text-align: right;">- 20% straight line basis</td></tr> <tr> <td>Computer equipment</td><td style="text-align: right;">- 55% diminishing balance basis</td></tr> </table>	Equipment	- 20% diminishing balance basis	Leasehold improvements	- 20% straight line basis	Computer equipment	- 55% diminishing balance basis
Equipment	- 20% diminishing balance basis						
Leasehold improvements	- 20% straight line basis						
Computer equipment	- 55% diminishing balance basis						
Revenue Recognition	The Organization follows the deferral method of accounting for contributions. Restricted grant contributions are recognized as revenue in the year in which the related expenses are incurred. Revenue is recorded for retail store sales upon the purchase of merchandise by customers. Revenue is not recorded on the purchase of gift cards. Upon purchase, a current liability is recorded as a payable and revenue is recognized when the gift card is redeemed for merchandise. The organization recognizes revenue on unredeemed gift cards based on an estimate of the amounts that will not be redeemed determined through historical redemption trends. Membership fees and donations from fundraising are recognized upon receipt. Events and services revenues are recognized upon completion of the event or services.						

Muskoka North Good Food Co-Operative Inc. Notes to Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies (continued)

**Contributed Materials
and Services**

Volunteers contribute many hours per year to assist the Organization in carrying out its activities. Due to the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

Contributed materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution, if fair value can be reasonably estimated.

Financial Instruments

Arm's length financial instruments are recorded at fair value at initial recognition.

Related party financial instruments quoted in an active market or those with observable inputs significant to the determination of fair value or derivative contracts are recorded at fair value at initial recognition. All other related party financial instruments are recorded at cost at initial recognition.

In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit enterprises 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 revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the determination of impairment allowance (if any), the estimated useful life of capital assets and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

Muskoka North Good Food Co-Operative Inc. Notes to Financial Statements

December 31, 2022

2. Tangible Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment	\$ 624,966	\$ 195,494	\$ 259,133	\$ 133,855
Leasehold improvements	248,001	198,658	248,001	149,058
Computer equipment	11,691	11,343	11,691	10,919
	\$ 884,658	\$ 405,495	\$ 518,825	\$ 293,832
Net book value		\$ 479,163		\$ 224,993

3. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$Nil (2021 - \$3,365) in government remittances payable.

4. Deferred Contributions

Deferred contributions represent restricted contributions received in the current period that relate to the subsequent period. Changes in deferred contribution balances are as follows:

	2022	2021
Balance , beginning of year	\$ -	\$ -
Contributions received during the year	81,502	-
Contributions recognized as revenue in the year	-	-
Balance , end of year	\$ 81,502	\$ -

Muskoka North Good Food Co-Operative Inc. Notes to Financial Statements

December 31, 2022

5. Long-term Debt

	2022	2021
Loan, secured by general security agreement, repayable \$2,000 monthly, non-interest bearing, maturing February 2024	\$ 48,051	\$ 73,551
Community bonds, unsecured, repayable at maturity, including interest between 3% and 6% per annum, maturing between March 2023 and March 2028	60,566	57,956
Muskoka Futures term loan, unsecured, repayable \$250 bi-weekly including interest at 4% per annum, maturing July 2040	37,557	41,919
Canada Emergency Business Account (CEBA) loan	40,000	40,000
	186,174	213,426
Less current portion	48,638	29,243
	\$ 137,536	\$ 184,183

The Organization received the Canada Emergency Business Account (CEBA) loan provided by the Government of Canada to provide capital to organizations to see them through the current challenges and better position them to return to providing services and creating employment. The loan is unsecured. The loan is interest free to January 2024. The loan was repaid in January 2024.

Principal payments required on long-term debt for the next five years and thereafter are due as follows:

Year	Amount
2023	\$ 48,638
2024	65,630
2025	1,644
2026	26,574
2027	1,781
Thereafter	41,907
	\$ 186,174

Muskoka North Good Food Co-Operative Inc.

Notes to Financial Statements

December 31, 2022

6. Deferred Contributions Related to Tangible Capital Assets

Deferred contributions represent the unamortized portion of capital assets purchased using operating grants received from Industry Canada (FedNor), Ontario Trillium Foundation and the Ontario Minister of Agriculture, Food and Rural Affairs. The changes for the year in the deferred contributions balance are as follows:

	2022	2021
Balance , beginning of year	\$ 99,740	\$ 132,664
Contributions deferred for purchase of tangible capital assets	336,320	-
Amortization of deferred contributions	(62,528)	(32,924)
Balance , end of year	<u>\$ 373,532</u>	<u>\$ 99,740</u>

7. Inventory

Inventories of \$569,224 (2021 - \$582,294) are recognized as an expense and included in store cost of goods sold.

8. Grants

Sources of grant revenue recognized as revenue in the year are as follows:

	2022	2021
Federal	\$ 294,121	\$ 74,512
Municipal	20,000	5,000
Provincial	124,800	-
	<u>\$ 438,921</u>	<u>\$ 79,512</u>

Muskoka North Good Food Co-Operative Inc.
Notes to Financial Statements

December 31, 2022

9. Financial Instrument Risks

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts and contributions receivable. The majority of the Organization's receivables are from government sources and the Organization works to ensure it meets all eligibility criteria in order to qualify to receive the funding.

The Organization is also exposed to credit risk arising from all of its bank accounts being held at one financial institution and deposits are only insured up to \$100,000.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Organization is exposed to this risk mainly in respect of its accounts payable and long-term debt obligations that become due between 2023 and 2040.

The Organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions.

There have not been any changes in the above risks from the prior year.
