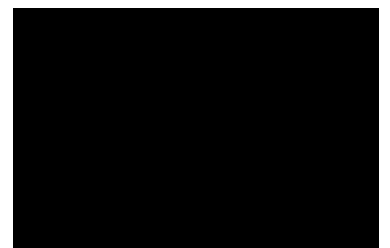


London and Area Food Bank Inc.

Financial Statements

December 31, 2021



Independent Auditor's Report

To the Board of Directors of London and Area Food Bank Inc.

Qualified Opinion

We have audited the financial statements of London and Area Food Bank Inc. ("the Organization"), which comprise the Statement of Financial Position as at December 31, 2021, and the Statements of Operations and Changes in Net Assets 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, 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 not-for-profit organizations, the Organization derives revenue from donations, 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 donation revenue, net revenue, and cash flows from operations for the years ended December 31, 2021 and December 31, 2020, and current assets and net assets for the years then ended. Our audit opinion on the financial statements 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.

Emphasis of Matter

We draw attention to Note 6 of the financial statements, which describes the effects of the COVID-19 pandemic on the Organization's operations. Our opinion is not modified in respect of this matter.

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 Organization'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 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 achieve 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.

London, Ontario
[Redacted]

[Redacted]
Chartered Professional Accountants
Licensed Public Accountants

London and Area Food Bank Inc.

Statement of Financial Position as at December 31, 2021

	2021	2020
Assets		
Current		
Cash	\$ 6,149,823	\$ 3,980,719
Short-term investments (Note 2)	630,345	977,378
Accounts receivable	38,052	36,468
Government remittances recoverable	68,993	34,790
Prepaid expenses	10,584	9,872
	<u>6,897,797</u>	<u>5,039,227</u>
Long-term investments (Note 2)	1,009,086	800,000
Capital Assets (Note 3)	<u>803,752</u>	<u>766,654</u>
	<u>\$ 8,710,635</u>	<u>\$ 6,605,881</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 99,235	\$ 79,403
Government remittances payable	15,781	16,223
Deferred revenue (Note 4)	<u>115,557</u>	<u>3,723</u>
	<u>230,573</u>	<u>99,349</u>
Net assets	<u>8,480,062</u>	<u>6,506,532</u>
	<u>\$ 8,710,635</u>	<u>\$ 6,605,881</u>

Approved by the Directors:

Signed by:

[Redacted Signature]

Director

Signed by:

[Redacted Signature]

Director

London and Area Food Bank Inc.

Statement of Operations and Changes in Net Assets December 31, 2021

	2021	2020
Revenue		
Donations		
Personal	\$ 1,912,708	\$ 2,634,065
Corporate	711,909	1,117,527
Government (Note 5)	401,552	885,692
Estates	355,255	108,303
Foundations	200,168	154,595
Clubs	105,587	126,415
Churches	70,615	25,162
Ontario Association of Food Banks	36,365	48,719
Schools	5,973	6,855
	3,800,132	5,107,333
Donated food products	6,609,631	6,676,981
Investment (Note 2)	81,544	35,480
Government assistance	-	10,381
	10,491,307	11,830,175
Expenses		
Food expense	895,144	444,592
Wages and benefits	588,658	485,983
Advertising (Note 5)	53,354	42,487
Canada Helps fees	48,976	56,076
Amortization	47,565	44,922
Transportation	46,887	48,071
Greenhouse supplies	41,083	-
Repairs and maintenance (Note 5)	40,622	40,528
Non-recoverable HST	27,312	15,129
Utilities	26,520	17,650
Insurance	20,452	19,853
Arts for all kids	14,748	17,090
Office	13,444	10,101
Food drive supplies	10,359	21,844
Ontario Association of Food Banks	9,180	24,000
Food Policy Council	8,585	5,041
Professional fees	8,000	15,780
Telephone	7,257	7,975
	1,908,146	1,317,122
Donated food products distributed	6,609,631	6,676,981
	8,517,777	7,994,103
Net revenue	1,973,530	3,836,072
Net assets, beginning of year	6,506,532	2,670,460
Net assets, end of year	\$ 8,480,062	\$ 6,506,532

London and Area Food Bank Inc.

Statement of Cash Flows
December 31, 2021

	2021	2020
Cash provided by (used in):		
Operating activities		
Net revenue	\$ 1,973,530	\$ 3,836,072
Add (deduct) non-cash items:		
Amortization	47,565	44,922
In-kind donations	(37,916)	(54,379)
Unrealized (gains) losses on investments	(46,766)	15,453
Change in non-cash working capital items related to operations (Note 8)	94,726	5,289
	<u>2,031,139</u>	<u>3,847,357</u>
Investing activities		
Acquisition of capital assets	(84,664)	(62,540)
Purchase of investments	(596,438)	(1,287,709)
Proceeds from sale of investments	819,067	156,215
	<u>137,965</u>	<u>(1,194,034)</u>
Increase in cash	2,169,104	2,653,323
Cash, beginning of year	<u>3,980,719</u>	<u>1,327,396</u>
Cash, end of year	<u>\$ 6,149,823</u>	<u>\$ 3,980,719</u>

London and Area Food Bank Inc.

Notes to Financial Statements
December 31, 2021

Nature of Organization

London and Area Food Bank Inc. ("the Organization") was incorporated under the Ontario Business Corporations Act on January 1, 1987. It is a registered charity under the provisions of the Income Tax Act of Canada and the Corporations Tax Act of Ontario and is therefore exempt from income taxes on its net revenue.

The Organization's primary objective is to relieve hunger and malnutrition suffered by the residents of the City of London, Ontario and surrounding area. To satisfy this objective the charity solicits donations of foodstuffs and surplus foods, then redistributes these foodstuffs to area residents who need nutritional assistance.

The funding has been provided by charitable donations from members of the public, corporations, churches, schools and charitable foundations.

1. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are summarized below.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions 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. Unrestricted investment income is recognized as revenue when earned.

Donations of investments and other assets are recognized upon receipt and recorded at fair market value when determinable.

The Organization recognizes the dollar value of donations of food received from industry, businesses, local farmers and the general public in the period in which they are received and distributed. Donations of food received in the current year totaled 2,059,075 pounds (2020 - 2,548,466 pounds). These donations of food have been valued based on national standards recommended by Food Banks Canada at \$3.21 per pound (2020 - \$2.62 per pound), which management believes to be a reasonable reflection of fair value. This dollar value of food donated has been reflected as both revenue and expense on the Statement of Operations and Changes in Net Assets.

Donations pledged are not recorded in the accounts until actually received.

Government assistance revenue is reported in the period earned.

Capital Assets

Capital assets are recorded at acquisition cost. Amortization is provided on the declining balance method over the estimated useful lives of all assets except the greenhouse at the following annual rates:

Building	4 %
Computer equipment	30 %
Computer software	30 %
Equipment	20 %
Vehicles	30 %

Amortization is provided on the straight-line method over the estimated useful life of the greenhouse of 10 years.

One half of annual amortization is charged on assets acquired during the year. No amortization is taken in the year of disposal.

London and Area Food Bank Inc.

Notes to Financial Statements
December 31, 2021

1. Significant Accounting Policies (continued)

Financial Instruments

Measurement of financial instruments:

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except the investments in equity instruments that are quoted in an active market, which are measured at fair value, provided by a prescribed securities dealer. Changes in fair value are recognized in net revenue.

Impairment:

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down and any subsequent reversal are recognized in net revenue.

Transaction costs:

The Organization recognizes its transactions costs in net revenue in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Cash and Cash Equivalents

Cash as disclosed on the Statement of Financial Position consists of cash on hand, gift cards on hand and balances with banks.

Contributed Services

The Organization's Board of Directors, members of various committees, and individuals who handle food donations and distribution, are made up of volunteers who contribute services to the Organization. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Specific estimates include the estimated lives of capital assets, amortization methods, allowance for doubtful accounts, accrued liabilities and the value of donated food. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net revenue in the period in which they become known.

London and Area Food Bank Inc.

Notes to Financial Statements
December 31, 2021

2. Investments

	2021	2020
Quoted shares and mutual funds measured at fair value, provided by a prescribed securities dealer	\$ 291,097	\$ 230,280
Guaranteed investment certificate, 2.25% maturing December 2021, measured at amortized cost	-	119,474
Guaranteed investment certificates, comprised of \$NIL (2020 - \$222,028) at a variable interest rate, maturing December 2021, measured at amortized cost, and of \$222,545 (2020 - \$NIL) 1.3%, maturing December 2022, measured at amortized cost	222,545	222,028
Guaranteed investment certificates, comprised of \$NIL (2020 - \$105,596), 0.6%, maturing December 2021, measured at amortized cost, and of \$222,545 (2020 - \$NIL), 1.3%, maturing February 2023, measured at amortized cost	106,827	105,596
Guaranteed investment certificate, 1.85%, maturing December 2025, measured at amortized cost	203,162	-
Guaranteed investment certificate, 1.8% maturing August 2021, measured at amortized cost	-	300,000
Guaranteed investment certificate, 1.95%, maturing August 2022, measured at amortized cost	407,800	400,000
Guaranteed investment certificate, 2%, maturing August 2023, measured at amortized cost	408,000	400,000
	1,639,431	1,777,378
Less: short-term investments	(630,345)	(977,378)
Long-term investments	\$ 1,009,086	\$ 800,000

Investment revenue of \$81,544 (2020 - \$35,480) includes cash paid interest and dividends of \$34,778 (2020 - \$50,933) and unrealized gains (losses) of \$46,766 (2020 - \$(15,453)).

3. Capital Assets

	Cost	Accumulated Amortization	Net	
			2021	2020
Land	\$ 150,000	\$ -	\$ 150,000	\$ 150,000
Building	925,504	438,380	487,124	501,045
Greenhouse	96,541	9,158	87,383	44,678
Computer equipment	15,795	13,648	2,147	3,066
Computer software	8,890	8,890	-	-
Equipment	187,589	132,116	55,473	36,973
Vehicles	184,871	163,246	21,625	30,892
	\$ 1,569,190	\$ 765,438	\$ 803,752	\$ 766,654

London and Area Food Bank Inc.

Notes to Financial Statements
December 31, 2021

4. Deferred Revenue

Periodically, the Organization receives donations to support the implementation of specific initiatives that take place over more than one year. These donations are recorded as deferred revenue and are recognized in operations as the related costs for implementing the initiative are incurred.

During the year, the Organization received \$50,000 (2020 - \$NIL) in funding from the City of London to support the London Community Recovery Network Idea for Action 4.1: Increase focus on addressing food insecurity.

During the year, the Organization received \$70,418 (2020 - \$NIL) in funding from King's (Western University) for Poverty Pulse funding to research and educate Londoners on the realities of poverty in the city.

	2021	2020
Balance, beginning of year	\$ 3,723	\$ 8,664
Add: amounts received during the year from City of London	50,000	-
Add: amounts received during the year from King's (Western University)	70,418	-
Add: amounts received during the year from other sources	-	100
Less: amounts recognized as revenue in the year	(8,584)	(5,041)
	<u>\$ 115,557</u>	<u>\$ 3,723</u>

5. Donated Goods and Services

The City of London donated goods and services, including advertising and garbage disposal. These donations are included in these financial statements as donation revenue, offset by advertising and repairs and maintenance expenses, at their estimated market value of \$18,316 (2020 - \$18,265).

6. COVID-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. This pandemic continues to impact donations received and services provided by the Organization and there could be further impacts in the future. Management is actively monitoring the affects on its financial conditions and operations. The impact to the Organization is not determinable at the date of these financial statements; however, it may be material and could include changes to operations and the financial position of the Organization.

7. Financial Instruments Risk Management

Transactions in financial instruments may result in financial risks being assumed by the Organization. The risks identified by the Organization are as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the Organization by failing to discharge its obligation or make repayment. The Organization's main credit risks relate to its accounts receivable. The Organization provides credit to its corporate and government supporters in the normal course of its operations.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk as the value of its guaranteed investments certificates are affected by market changes in interest rates.

London and Area Food Bank Inc.

Notes to Financial Statements
December 31, 2021

7. Financial Instruments Risk Management (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Organization is exposed to market risk to the full extent of its investments quoted in an active market.

Liquidity Risk

Liquidity risk is the risk the Organization will be unable to generate cash on a timely basis in order to pay obligations as they become due. The Organization manages its liquidity risk by forecasting its cash needs on a regular basis and seeking additional information based on those forecasts. The Organization maintains sufficient funds in cash to protect against unforeseen obligations.

Other Risks

The Organization is not exposed to significant currency risk.

There have been no significant changes in the nature, extent or concentration of the risk exposures from the prior year.

8. Statement of Cash Flows

The change in non-cash working capital balances related to operations referred to in the statement is determined as follows:

	2021	2020
(Increase) decrease in current assets:		
Accounts receivable	\$ (1,584)	\$ (8,592)
Government remittances receivable	(34,203)	(18,106)
Prepaid expenses	(712)	(176)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	19,833	37,631
Government remittances payable	(442)	(527)
Deferred revenue	111,834	(4,941)
Net change	<u>\$ 94,726</u>	<u>\$ 5,289</u>