

**Regional Food Distribution Association of Northwestern Ontario**  
**Financial Statements**  
*March 31, 2021*

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**Regional Food Distribution Association of Northwestern Ontario**  
**Contents**

*For the year ended March 31, 2021*

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	<i>Page</i>
<b>Management's Responsibility</b>	
<b>Independent Auditor's Report</b>	
<b>Financial Statements</b>	
Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Changes in Fund Balances.....	4
Statement of Cash Flows.....	5
<b>Notes to the Financial Statements</b> .....	6

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## Management's Responsibility

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To the Board of Directors of Regional Food Distribution Association of Northwestern Ontario:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

██████████ is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

██████████  
\_\_\_\_\_  
Executive Officer

# Independent Auditor's Report

To the Board of Directors of Regional Food Distribution Association of Northwestern Ontario:

## Qualified Opinion

We have audited the financial statements of Regional Food Distribution Association of Northwestern Ontario (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in fund balances 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 matters 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, 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 and fundraising, 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 donations and fundraising revenues, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2021 and March 31, 2020 and assets and net assets as at March 31, 2021 and March 31, 2020.

We were not in attendance to observe the taking of inventory recorded in the amount of \$Nil (2020 - \$71,660) at the end of the year and were not able to satisfy ourselves concerning inventory quantities and prices by alternative means. As a result, we were unable to determine whether adjustments to inventory, food expense and food donation revenue might be necessary.

The audit opinion on the financial statements for the year ended March 31, 2020 was qualified accordingly because of the possible effects of the limitations 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 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.

Thunder Bay, Ontario

[Redacted]

[Redacted]  
Chartered Professional Accountants

Licensed Public Accountants

[Redacted]

**Regional Food Distribution Association of Northwestern Ontario**  
**Statement of Financial Position**

*As at March 31, 2021*

	2021	2020
<b>Assets</b>		
<b>Current</b>		
Cash	613,801	218,008
Accounts receivable	23,182	27,905
HST recoverable	94,817	20,507
Prepaid expenses	47,486	11,128
Inventory	-	71,660
	779,286	349,208
<b>Capital assets (Note 2)</b>	<b>1,863,703</b>	<b>1,675,867</b>
	2,642,989	2,025,075
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	46,378	40,859
Deferred contributions (Note 4)	-	67,977
Current portion of long-term debt (Note 5)	3,502	3,502
	49,880	112,338
<b>Long-term debt (Note 5)</b>	<b>6,994</b>	<b>10,496</b>
<b>Deferred capital contributions (Note 6)</b>	<b>1,414,416</b>	<b>1,215,544</b>
	1,471,290	1,338,378
<b>Contingencies (Note 10)</b>		
<b>Net Assets</b>		
Invested in Capital Assets	438,791	450,394
Internally Restricted	155,000	155,000
Operating Fund	577,908	81,303
	1,171,699	686,697
	2,642,989	2,025,075
<b>Approved on behalf of the Board</b>		

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director

*The accompanying notes are an integral part of these financial statements*

**Regional Food Distribution Association of Northwestern Ontario**  
**Statement of Operations**  
For the year ended March 31, 2021

	Operating Fund	Internally Restricted Fund	Invested in Capital Assets	2021	2020
<b>Revenue</b>					
Memberships	198	-	-	198	39,478
Donations and other	973,450	-	-	973,450	495,020
City of Thunder Bay	180,200	-	-	180,200	90,000
United Way of Thunder Bay	97,883	-	-	97,883	57,603
The District of Thunder Bay Social Services Administration Board	-	-	-	-	186,575
Second Harvest	-	-	-	-	60,000
Pandemic funding	1,110,264	-	-	1,110,264	18,580
Rental Income	13,630	-	-	13,630	6,045
Lottery	1,706	-	-	1,706	-
	<b>2,377,331</b>	-	-	<b>2,377,331</b>	<b>953,301</b>
Amortization of deferred capital contributions (Note 6), (Note 7)	127,913	-	-	127,913	81,348
Deferred contributions related to capital assets (Note 6), (Note 7)	(326,784)	-	-	(326,784)	-
<b>Total revenue</b>	<b>2,178,460</b>	-	-	<b>2,178,460</b>	<b>1,034,649</b>
<b>Expenses</b>					
Advertising	14,951	-	-	14,951	13,672
Automotive expense	51,075	-	-	51,075	46,701
Bad debts	5,797	-	-	5,797	-
Community engagement	30,717	-	-	30,717	56,872
Equipment	404,369	-	-	404,369	42,462
Food - purchased	205,249	-	-	205,249	98,593
Food - storage costs	14,309	-	-	14,309	-
Insurance	16,291	-	-	16,291	11,664
Interest and bank charges	1,453	-	-	1,453	912
Meetings	9,552	-	-	9,552	27,646
Office	27,338	-	-	27,338	24,719
Pandemic program costs	343,510	-	-	343,510	-
Professional fees	14,024	-	-	14,024	18,977
Repairs and maintenance	90,648	-	-	90,648	40,365
Social enterprise	-	-	-	-	6,463
Training and education	-	-	-	-	2,409
Transportation	79,117	-	-	79,117	59,587
Utilities	51,235	-	-	51,235	45,965
Wages and employee benefits	521,659	-	-	521,659	406,100
	<b>1,881,294</b>	-	-	<b>1,881,294</b>	<b>903,107</b>
Amortization of capital assets	139,003	-	-	139,003	108,832
Capital asset acquisitions included in expenses	(361,839)	-	-	(361,839)	(22,089)

Continued on next page

The accompanying notes are an integral part of these financial statements

**Regional Food Distribution Association of Northwestern Ontario**  
**Statement of Operations**  
*For the year ended March 31, 2021*

	<i>Operating Fund</i>	<i>Internally Restricted Fund</i>	<i>Invested in Capital Assets</i>	<b>2021</b>	<b>2020</b>
<b>Total expenses</b>	<b>1,658,458</b>	-	-	<b>1,658,458</b>	<b>989,850</b>
<b>Excess of revenue over expenses before other items</b>	<b>520,002</b>	-	-	<b>520,002</b>	<b>44,799</b>
<b>Write down on capital assets</b>	<b>(35,000)</b>	-	-	<b>(35,000)</b>	<b>(30,000)</b>
<b>Excess of revenue over expenses</b>	<b>485,002</b>	-	-	<b>485,002</b>	<b>14,799</b>

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*The accompanying notes are an integral part of these financial statements*



**Regional Food Distribution Association of Northwestern Ontario**  
**Statement of Changes in Fund Balances**

*For the year ended March 31, 2021*

	<i>Operating Fund</i>	<i>Internally Restricted Fund</i>	<i>Invested in Capital Assets</i>	<b>2021</b>	<b>2020</b>
<b>Fund balance, beginning of year</b>	81,303	155,000	450,394	<b>686,697</b>	671,898
<b>Excess of revenue over expenses</b>	485,002	-	-	<b>485,002</b>	14,799
<b>Change in Invested in Capital Assets (Note 7)</b>	11,603	-	(11,603)	-	-
<b>Fund balance, end of year</b>	<b>577,908</b>	<b>155,000</b>	<b>438,791</b>	<b>1,171,699</b>	<b>686,697</b>

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**Regional Food Distribution Association of Northwestern Ontario**  
**Statement of Cash Flows**  
*For the year ended March 31, 2021*

	2021	2020
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	485,002	14,799
Amortization	139,003	108,832
Write-down on capital assets	35,000	30,000
Amortization of deferred capital contributions	(127,913)	(81,348)
	<b>531,092</b>	<b>72,283</b>
Changes in working capital accounts		
Accounts receivable	4,723	(149)
HST receivable	(74,310)	30,815
Inventory	71,660	5,354
Prepaid expenses	(36,358)	9,184
Accounts payable and accruals	5,520	21,410
Deferred contributions	(67,977)	(136,547)
	<b>434,350</b>	<b>2,350</b>
<b>Financing</b>		
Repayment of long-term debt	(3,502)	(5,409)
Cash contributions received for capital assets	326,784	-
	<b>323,282</b>	<b>(5,409)</b>
<b>Investing</b>		
Purchase of capital assets	(361,839)	(22,089)
<b>Increase (decrease) in cash resources</b>	<b>395,793</b>	<b>(25,148)</b>
<b>Cash resources, beginning of year</b>	<b>218,008</b>	<b>243,156</b>
<b>Cash resources, end of year</b>	<b>613,801</b>	<b>218,008</b>

*The accompanying notes are an integral part of these financial statements*

# Regional Food Distribution Association of Northwestern Ontario

## Notes to the Financial Statements

For the year ended March 31, 2021

### Purpose of the Organization

Regional Food Distribution Association of Northwestern Ontario (the "Organization") was incorporated by letters patent without share capital on April 11, 2008, and is a registered charity under the Income Tax Act. The Organization's purpose is to better secure and distribute emergency food to meet the needs in Northwestern Ontario.

### Impact on operations of COVID-19

In early March 2020 the impact of the global outbreak of COVID-19 began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The Organization's operations were impacted by COVID-19 due to changes in operations and service delivery, additional cleaning and supply costs, and additional PPE purchased during the year.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause changes in operations and service delivery, additional cleaning and supply costs and additional PPE purchases, all of which may negatively impact the Organization's business and financial condition.

### 1. Significant accounting policies

The financial statements of the Organization have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

#### Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

#### Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined. The cost of major replacements and improvements to capital assets are capitalized and the cost of maintenance and repairs are expensed when incurred.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	4 %
Automotive	30 %
Computer equipment	55 - 100 %
Equipment	20 %

#### Contributed materials and services

The Organization receives donations of food, materials and volunteer services. The value of these materials and services is not reflected in the statement of operations.

**Regional Food Distribution Association of Northwestern Ontario**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2021*

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1. **Significant accounting policies** *(Continued from previous page)*

***Use of estimates***

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year-end.

Deferred contributions are estimated based on management's review of revenue received, but unspent at year-end.

Deferred capital contributions and capital asset amortization are based on the estimated useful lives of assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue over expenses in the periods in which they become known.

***Inventory***

Inventories held for distribution at no charge or for a nominal charge are recognized at the lower of cost and current replacement cost. Inventories of donated food are valued at zero per the Organization's policy for contributed materials and services. At the March 31 fiscal year-end, purchased perishable food inventory is minimal.

***Deferred capital contributions***

Deferred capital contributions represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Organization's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

***Leases***

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

An arrangement contains a lease where the arrangement conveys a right to use the underlying tangible asset, and whereby its fulfillment is dependent on the use of the specific tangible asset. After the inception of the arrangement, a reassessment of whether the arrangement contains a lease is made only in the event that:

- there is a change in contractual terms;
- a renewal option is exercised or an extension is agreed upon by the parties to the arrangement;
- there is a change in the determination of whether the fulfillment of the arrangement is dependent on the use of the specific tangible asset; or
- there is a substantial physical change to the specified tangible asset.

**Regional Food Distribution Association of Northwestern Ontario**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2021*

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1. **Significant accounting policies** *(Continued from previous page)*

**Fund accounting**

The Organization maintains three funds: Operating Fund, Internally Restricted Fund and Invested in Capital Assets.

The Operating Fund reports the Organization's assets, liabilities, revenue and expenses related to the general operations of the Organization.

The Internally Restricted Fund is designated for the completion of the building located at [REDACTED] and the purchase of food.

The Invested in Capital Assets reports the Organization's assets, liabilities, revenue and expenses related to Regional Food Distribution Association of Northwestern Ontario's capital assets and building expansion campaign.

**Revenue recognition**

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue of the appropriate fund 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.

**Allocation of expenses**

It is the Organization's policy to allocate administrative salaries, benefits and other expenditures to the various programs based on budgeted amounts in accordance with the funding agencies' contracts.

**Long-lived assets**

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using discounted cash flows. Any impairment is included in excess of revenue over expenses.

**Financial instruments**

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook 4460 *Related Party Transactions*.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

## Regional Food Distribution Association of Northwestern Ontario Notes to the Financial Statements

For the year ended March 31, 2021

### 2. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	273,875	-	273,875	273,875
Buildings	1,679,809	580,298	1,099,511	1,145,324
Automotive	296,217	142,735	153,482	39,533
Computer equipment	22,720	18,453	4,267	9,482
Equipment	627,541	294,973	332,568	207,653
	<u>2,900,162</u>	<u>1,036,459</u>	<u>1,863,703</u>	<u>1,675,867</u>

During the current year, it was determined that kitchen equipment not in use was impaired. As a result, the kitchen equipment has been written down from its carrying amount of \$45,000. The excess of the carrying amount over the residual value of \$10,000 has been recognized in expenses as an impairment provision in the statement of operations in the current year.

### 3. Bank indebtedness

Bank indebtedness includes an operating line of credit to a maximum of \$50,000 (2020 - \$50,000), bearing interest at prime plus 2% (4.70%) (2020 - 4.70%), secured by a general security agreement, certain equipment with a net book value of \$21,975, assignment of property insurance and assignment of security on shares and deposits executed by the Organization in the amount of \$17,500. At year-end, \$Nil (2020 - \$15,046) had been advanced on the line of credit.

### 4. Deferred contributions

Deferred contributions consist of unspent contributions externally restricted for use in combating the impacts of COVID-19. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2021	2020
Balance, beginning of year	67,977	204,524
Amount received during the year	-	142,459
Less: amount recognized as revenue during the year	<u>(67,977)</u>	<u>(279,006)</u>
Balance, end of year	<u>-</u>	<u>67,977</u>

### 5. Long-term debt

	2021	2020
interest-free loan repayable in monthly instalments of \$292, due March 2024. The loan is secured by a general security agreement, assignment of insurance, and assignment of security on shares and deposits executed by the Organization in the amount of \$17,500.	10,496	13,998
Less: current portion	<u>3,502</u>	<u>3,502</u>
	<u>6,994</u>	<u>10,496</u>

Principal repayments on long-term debt in each of the next three years are estimated as follows:

2022	3,502
2023	3,502
2024	3,492
	<u>10,496</u>

**Regional Food Distribution Association of Northwestern Ontario**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2021*

**6. Deferred capital contributions**

Deferred capital contributions consist of the unamortized amount of restricted contributions received for the purchase of the capital assets. Changes in deferred capital contributions are as follows:

	2021	2020
Balance, beginning of year	1,215,544	1,296,892
Contributions received for capital asset acquisitions	326,785	-
Amounts recognized as revenue during the year	(127,913)	(81,348)
Balance, end of year	1,414,416	1,215,544

**7. Change in Invested in Capital Assets**

The change in Invested in Capital Assets is calculated as follows:

	2021	2020
Purchase of capital assets	361,839	22,089
Amortization expense	(139,003)	(108,832)
Repayment of asset financing	3,502	5,409
Deferred capital contributions	(330,854)	-
Amortization of deferred capital contributions	127,913	81,348
Impairment of capital assets	(35,000)	(30,000)
	(11,603)	(29,986)

**8. Commitments**

The Organization has entered into an automotive lease agreement with estimated minimum annual payments as follows:

2022		39,612
2023		26,408
		66,020

**9. Financial instruments**

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Credit concentration***

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of accounts receivable; however, credit exposure is limited due to the Organization's large customer base.

***Liquidity risk***

Liquidity risk is the risk that the Organization will encounter difficulties in meeting obligations associated with financial liabilities. The Organization enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

**Regional Food Distribution Association of Northwestern Ontario**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2021*

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11. **Change in accounting policy**

***Contributed materials and services***

Effective April 1, 2020, the Organization voluntarily changed its accounting policy with respect to contributed materials and services to no longer reflect the estimated value of donated food and materials in the statement of operations. The Organization believes this accounting policy change will provide more reliable information to the users of the financial statements as the value of donated food and materials is subject to uncertainty and the amount of donated food in inventory at any given time has no real value to the Organization as an asset.

The change in accounting policy was made retrospectively.

The impact of this change in accounting policy for March 31, 2021 was to decrease donated food revenue by \$3,855,295, decrease donated food expense by \$2,838,895, decrease inventory by \$1,088,060 and increase purchased food expense by \$71,660.

The cumulative effect in the prior year, as of March 31, 2020, was to decrease donated food revenue by \$3,824,897 and decrease donated food expense by \$3,824,897.

There was no impact to opening net assets as a result of this accounting policy change.