
FH CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023



**FOOD FOR
THE HUNGRY**

INDEPENDENT AUDITORS' REPORT

To the Members of FH Canada

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of FH Canada (the "Organization"), which comprise the statement of financial position as at September 30, 2023, and the statements of changes in net assets, operations 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 September 30, 2023, and the results of its operations and 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 charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of donation revenues was limited to the amounts recorded in the records of the Organization and we were unable to determine whether any adjustments might be necessary to donations revenue, deficiency of revenue over expenses, and cash flows from operations for the year ended September 30, 2023 and 2022, total assets as at September 30, 2023 and 2022, and net assets at both the beginning and end of September 30, 2023 and 2022. Our audit opinion on the financial statements for the year ended September 30, 2022 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

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 auditors' 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 auditors' 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.

Manning Elliott LLP

Manning Elliott LLP
Chartered Professional Accountants
Abbotsford, British Columbia
January 8, 2024

FH CANADA
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 621,933	\$ 877,940
Investments (Note 3)	657,700	1,308,712
Accounts receivable	16,169	61,758
Prepaid expenses	113,448	101,313
Fair value of foreign exchange contracts (Note 4)	15,105	199,585
	1,424,355	2,549,308
CAPITAL ASSETS (Note 5)	130,009	34,686
CASH SURRENDER VALUE OF LIFE INSURANCE	-	8,992
	\$ 1,554,364	\$ 2,592,986
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 209,231	\$ 263,082
Deferred contributions (Note 6)	109,599	183,132
	318,830	446,214
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	118,983	-
	437,813	446,214
NET ASSETS	1,116,551	2,146,772
	\$ 1,554,364	\$ 2,592,986

Approved by the Board:


 _____ Director


 _____ Director

FH CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023	2022
NET ASSETS - BEGINNING OF YEAR	\$ 2,146,772	\$ 2,441,147
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	(1,030,221)	(294,375)
NET ASSETS - END OF YEAR	\$ 1,116,551	\$ 2,146,772

FH CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023	2022
REVENUE		
Donations <i>(Note 9)</i>	\$ 8,050,430	\$ 7,605,611
Gifts in kind	5,386,929	4,943,031
Investment and other income <i>(Note 10)</i>	113,394	318,806
	13,550,753	12,867,448
EXPENSES		
International programs <i>(Note 12)</i>	11,157,955	10,023,053
Canadian programs <i>(Note 12)</i>	144,490	325,398
Public awareness and education <i>(Note 12)</i>	293,954	288,899
Investment and other expenses <i>(Note 10)</i>	42,006	137,775
	11,638,405	10,775,125
SUPPORT		
Fundraising <i>(Notes 11, 12)</i>	1,802,919	1,479,611
Administration <i>(Note 12)</i>	1,139,650	907,087
	2,942,569	2,386,698
	14,580,974	13,161,823
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR	\$ (1,030,221)	\$ (294,375)

FH CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023	2022
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	\$ (1,030,221)	\$ (294,375)
Items not affecting cash:		
Amortization of capital assets	17,696	17,017
Change in the cash surrender value of life insurance	8,992	(417)
Loss on disposal of capital assets	559	301
Loss (gain) on disposal of investments	637	(62)
Change in unrealized foreign exchange contracts	184,480	(228,033)
Unrealized loss (gain) on investments	(49,002)	91,891
	(866,859)	(413,678)
Changes in non-cash working capital:		
Accounts receivable	45,589	(51,826)
Accounts payable and accrued liabilities	(53,850)	35,598
Deferred contributions	(73,533)	55,434
Prepaid expenses	(12,135)	4,248
	(93,929)	43,454
	(960,788)	(370,224)
INVESTING ACTIVITIES		
Purchase of capital assets	(113,578)	(25,511)
Disposal (purchase) of investments	699,377	(182,182)
Deferred capital contributions received	118,982	-
	704,781	(207,693)
CHANGE IN CASH DURING THE YEAR	(256,007)	(577,917)
CASH - BEGINNING OF YEAR	877,940	1,455,857
CASH - END OF YEAR	\$ 621,933	\$ 877,940

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NATURE OF OPERATIONS

FH Canada (the "Organization") is incorporated under the Canada Not-for-profit Corporations Act, is registered as a charity under the Income Tax Act (Canada), and accordingly is exempt from income taxes on its operations. The purpose of FH Canada is to provide sustainable development and disaster relief to the needy and destitute of the world, and to provide educational programs and information in Canada to enhance public understanding of the issues surrounding poverty.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in accordance with Canadian generally accepted accounting principles (GAAP), and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Cash

Cash includes cash and cash equivalents. Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date. Cash equivalents are short-term deposits with maturity dates of less than 90 days.

(b) Capital assets

Capital assets are stated at cost less accumulated amortization. The following asset categories are amortized on the declining balance basis over the estimated useful life of the assets at the following annual rates:

Computer hardware	40%
Furniture and fixtures	20%

Computer software is amortized on the straight-line basis over three years. Leasehold improvements are amortized on the straight-line basis over the term of the lease. The website upgrade is still in progress, therefore will not be amortized until it is ready for use.

The Organization's policy is to record a write-down to a capital asset's fair value or replacement cost when conditions indicate that a capital asset is impaired. Such conditions include when the Organization's value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount. Write-downs are recognized as an expense in the statement of revenues and expenses are not reversed.

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FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

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.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Deferred capital contributions include contributions that are restricted for the purchase of capital assets. These contributions are amortized and recognized as revenue on the same basis as the amortization expense related to the acquired capital asset.

Donations of goods and supplies are recognized in the accounts of the Organization at estimated fair market value. In cases where a gift in kind charitable receipt is required for contributed materials they are recognized as revenue when received, if the amount to be received can be reasonably estimated.

Service income is recognized when services have been rendered.

Income from investments is recorded as earned, including gains and losses based on quoted fair values, whether realized or unrealized.

(d) 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 about future events that affect the reported amounts of assets, liabilities, revenue and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent, however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of accounts receivable, the determination of the useful lives of capital assets used for the calculation of amortization, measurement of deferred contributions, the determination of the amounts recorded as accrued liabilities, and the fair value of gifts in kind.

(e) Foreign currency translation

Monetary assets and liabilities in currencies other than the Canadian dollar are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Revenue, expenses and non-monetary balances are translated at the rate of exchange prevailing at the transaction dates.

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FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(f) Contributed services and materials

The Organization benefits from contributed services in the form of volunteer time and contributed materials. Contributed services are not recognized in the financial statements due to the difficulty of determining their fair value. Contributed materials are recognized as gifts in kind only when their fair value can be reasonably estimated and when the materials are used in the normal course of the Organization's operations and would otherwise have been purchased.

Gifts in kind represent donated supplies and food shipped to various areas of need around the world in accordance with the Organization's purpose and objectives. Medical and other equipment and supplies as well as food containers donated to the Organization are shipped directly from the donors' premises.

Other donations in kind include gifts of publicly traded equities.

(g) Allocation of expenses

The Organization incurs a number of general support expenses that are common to the administration of the Organization and its programs. Where shared or indirect costs relate to more than one activity, such as the administration of these programs, the Organization allocates these costs to all of the activities. These costs include administrative personnel, occupancy costs, and other operating expenses not directly attributable to specific activities. These expenses are allocated by applying a percentage to direct costs of each activity. The percentages provided by management are based on estimates from ongoing analysis and monitoring of the level of support applicable to each program.

(h) Financial instruments

i) Measurement

The Organization's financial instruments consist of cash, investments, accounts receivable, foreign exchange contracts or options, and accounts payable.

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity instruments and foreign exchange contracts or options that are quoted in an active market, which are measured at fair value. Changes in fair value of equity and foreign exchange hedging instruments carried at fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost includes accounts payable.

ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in net income. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income in the period in which it is determined.

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

2. FINANCIAL INSTRUMENTS RISKS

The Organization's financial instruments are described in Note 1(h). In management's opinion, the Organization is not exposed to significant credit, liquidity, market, currency, interest or other price risks arising from these financial instruments, except as described below. In addition, the Organization is not exposed to any material concentrations of risk and there have been no significant changes in the risk exposures from the prior year.

a) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk arising primarily from its accounts payable and accrued liabilities. The Organization's ability to meet obligations depends on the receipt of funds from its donors. The Organization manages liquidity risk through its budgeting process and its regular operating activities.

b) 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 through its accounts receivable. The Organization's accounts receivable consist primarily of amounts due from the Canada Revenue Agency for goods and services tax refunds and therefore the risk associated with accounts receivable is minimal.

c) 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. Market risk comprises three types of risk: currency risk, interest risk and other price risk.

d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization receives donations largely in Canadian funds from donors, which are then remitted to the beneficiary countries in US dollars to fund program activities. Currency risk arises as a result of the possibility of the cost of program activities fluctuating because of changes in foreign exchange rates. The Organization also has cash denominated in foreign currencies and thus is exposed to the financial risk of earning fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Organization manages this risk through forward currency contracts or options.

e) 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 not exposed to interest rate risk.

f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization's investments in publicly traded securities expose the Organization to market risk as such investments are subject to price changes in the open market. The Organization manages exposure to this risk by utilizing professional investment advisors and adhering to a low risk investment policy.

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

3. INVESTMENTS

	2023	2022
Marketable securities	\$ 657,700	\$ 508,712
Guaranteed investment certificate	-	800,000
	\$ 657,700	\$ 1,308,712

The above investments consist of GICs and equity instruments. The equity investments are quoted on an active market and are measured at fair value. In the prior year, the GICs had interest rates of 1.47% to 2.40%, with maturity dates between January 26, 2023 and April 11, 2023 and were recorded at amortized cost.

4. FOREIGN EXCHANGE CONTRACTS

The Organization has entered into forward cover contracts with a notional amount of US dollars \$420,000 (2022 - \$1,680,000) with the Bank of Montreal. The forward contracts require the Organization to purchase US dollars at fixed exchange rates at 1.32 (2022 - 1.25 to 1.27). These contracts will mature between October 3, 2023 and December 1, 2023 (2022 - October 3, 2022 and September 9, 2023).

The fair value of the contracts is estimated to be a gain of \$15,105 (2022 - \$199,585 gain) based on mark to market reports prepared by the contract issuers and will fluctuate with changes in the exchange rate until the contracts mature.

Subsequent to year end, the Organization entered into three additional forward cover contracts with the Bank of Montreal similar to the contracts disclosed above. The contracts each have a notional amount of US dollars of \$140,000 with fixed exchange rates of 1.37. The contracts mature between January 1, 2024 and March 1, 2024.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Computer hardware	\$ 111,321	\$ 74,657	\$ 36,664	\$ 34,449
Computer software	6,683	6,683	-	-
Furniture and fixtures	5,500	5,468	32	237
Leasehold improvements	19,515	19,515	-	-
Website	93,313	-	93,313	-
	\$ 236,332	\$ 106,323	\$ 130,009	\$ 34,686

The website upgrade is still in progress as of December 31, 2023. Therefore, no amortization will be taken until the website is fully ready for use.

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

6. DEFERRED CONTRIBUTIONS

Deferred contributions represents donations that were designated by supporters and will be disbursed in the future for ongoing programs. When project funding requirements have been fully met, the board of directors has the right to redirect the funds to another project.

	2023	2022
Balance, beginning of year	\$ 183,132	\$ 127,698
Amounts deferred during the year	109,599	183,132
Amounts recognized as revenue during the year	(183,132)	(127,698)
Balance, end of year	\$ 109,599	\$ 183,132

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent restricted contributions that have been used to purchase capital assets. These contributions are amortized at the same rate as the underlying capital asset.

	2023	2022
Balance, beginning of year	\$ -	\$ -
Contributions received during the year	118,983	-
Balance, end of year	\$ 118,983	\$ -

The contributions received relate to the website which is not yet in use, accordingly no amortization of the deferred capital contributions has been recognized.

8. CONTRACTUAL OBLIGATIONS

The Organization has an operating lease for the use of its premises with an end date of May 31, 2025. Under the terms of the lease, the minimum annual lease payments required over the next two fiscal years are as follows:

2024	\$ 110,827
2025	76,157
	<u>\$ 186,984</u>

9. DONATIONS

	2023	2022
Sponsorships	\$ 4,263,149	\$ 3,833,249
Donations	3,787,281	3,772,362
	\$ 8,050,430	\$ 7,605,611

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

10. INVESTMENT AND OTHER INCOME (EXPENSE)

	2023	2022
Investment and other income:		
Unrealized gain on investments	\$ 49,002	\$ -
Unrealized gain on foreign exchange	-	266,052
Gain on disposal of investments	-	62
Foreign exchange gain	16,782	-
Other income	47,610	52,692
	113,394	318,806
Investment and other expense:		
Unrealized loss on investments	-	(91,891)
Unrealized loss on foreign exchange	(40,810)	-
Loss on disposal of investments	(637)	-
Loss on disposal of equipment	(559)	(301)
Foreign exchange loss	-	(45,583)
	(42,006)	(137,775)

11. FUNDRAISING EXPENSES

As required under Section 7(2) of the Charitable Fundraising Act Regulation of Alberta, the Organization discloses that the expenses incurred for the purpose of soliciting contributions includes expenses and fees of \$578,513 (2022 - \$338,535) for artists and fundraising businesses to solicit contributions on the Organization's behalf. The amounts paid as remuneration to employees of the Organization whose principal duties involve fundraising was \$710,260 (2022 - \$767,521).

The Organization supported overseas charitable activities by forwarding funding of \$4,970,315 (2022 - \$4,390,489) and shipped goods valued at \$5,542,484 (2022 - \$4,940,536).

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

12. ALLOCATION OF EXPENSES

	International programs	Canadian programs	Public awareness and education	Fundraising	Administration	2023	2022
Commodities sent to the field	\$ 5,542,286	\$ -	\$ -	\$ -	\$ 198	\$ 5,542,484	\$ 4,940,536
Direct international program payments	4,898,090	72,225	-	-	-	4,970,315	4,390,489
Wages and benefits	396,126	32,784	217,278	609,914	676,765	1,932,867	1,941,499
Media and events	24,987	5,821	5,488	880,391	24,838	941,525	615,309
Dues and fees	22,993	1,681	27,876	34,542	132,799	219,891	273,911
Office and miscellaneous	31,592	3,886	20,593	60,735	89,978	206,784	108,387
Postage and delivery	21,401	115	19	135,040	14,781	171,356	140,947
Commodity shipping and other costs	149,466	-	-	-	-	149,466	177,370
Travel	24,551	22,910	3,772	36,036	40,400	127,669	147,205
Occupancy	24,806	2,374	14,050	34,065	38,382	113,677	102,553
Data processing and communications	2,829	663	1,587	3,953	81,889	90,921	85,149
Meals and entertainment	14,096	223	1,521	2,973	8,890	27,703	34,406
Insurance	-	-	-	-	19,938	19,938	19,630
Amortization of capital assets	4,732	1,808	1,770	5,270	4,116	17,696	17,017
Repairs and maintenance	-	-	-	-	6,426	6,426	2,052
Grants to qualified donees	-	-	-	-	250	250	27,588
Total program expense	\$ 11,157,955	\$ 144,490	\$ 293,954	\$ 1,802,919	\$ 1,139,650	\$ 14,538,968	\$ 13,024,048