

London and Area Food Bank Inc.

Financial Statements

December 31, 2023

ATIP Disclosure
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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, 2023, 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, 2023 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, 2023 and December 31, 2022, 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.

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.

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London and Area Food Bank Inc.

Statement of Financial Position as at December 31, 2023

	2023	Restated (Note 8) 2022
Assets		
Current		
Cash	\$ 9,441,857	\$ 7,408,738
Short-term investments (Note 2)	765,382	1,086,135
Accounts receivable	268,640	143,746
Government remittances recoverable	63,137	57,947
Prepaid expenses	3,264	13,084
	<u>10,542,280</u>	<u>8,709,650</u>
Long-term investments (Note 2)	841,349	806,920
Capital assets (Note 3)	<u>794,300</u>	<u>775,107</u>
	<u>\$ 12,177,929</u>	<u>\$ 10,291,677</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 120,124	\$ 129,125
Government remittances payable	15,480	10,492
Deferred revenue (Note 4)	107,577	132,516
	<u>243,181</u>	<u>272,133</u>
Net assets	<u>11,934,748</u>	<u>10,019,544</u>
	<u>\$ 12,177,929</u>	<u>\$ 10,291,677</u>

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Director

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Director

London and Area Food Bank Inc.

Statement of Operations and Changes in Net Assets December 31, 2023

	2023	Restated (Note 8) 2022
Revenue		
Donations		
Personal	\$ 2,345,341	\$ 2,065,993
Corporate	1,090,936	754,021
Estates	705,006	20,000
Foundations	483,882	309,401
Clubs	151,975	147,385
Government (Note 5)	134,575	76,291
Churches	26,881	22,384
Ontario Association of Food Banks	8,369	130,473
Schools	5,651	11,684
	4,952,616	3,537,632
Donated food products	9,739,924	7,312,274
Investment (Note 2)	458,217	146,296
	15,150,757	10,996,202
Expenses		
Food expense	2,135,390	1,110,387
Wages and benefits	825,305	651,494
Transportation	59,241	56,876
Repairs and maintenance (Note 5)	58,503	37,398
Amortization	57,907	50,180
Canada Helps fees	57,173	50,192
Advertising (Note 5)	52,042	57,033
Food Policy Council	51,923	33,042
Utilities	35,209	31,705
Food drive supplies	30,866	53,161
Non-recoverable HST	27,457	25,200
Insurance	26,016	22,693
Office	19,595	17,593
Arts for all kids	16,342	15,078
Ontario Association of Food Banks	13,802	9,650
Greenhouse supplies	12,646	11,694
Professional fees	10,782	8,365
Consulting	3,928	4,770
Telephone	1,502	762
Donations	-	20,000
	3,495,629	2,267,273
Donated food products distributed	9,739,924	7,312,274
	13,235,553	9,579,547
Net revenue	1,915,204	1,416,655
Net assets, beginning of year	10,019,544	8,602,889
Net assets, end of year	\$ 11,934,748	\$ 10,019,544

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

Page 5

London and Area Food Bank Inc.

Statement of Cash Flows
December 31, 2023

	2023	Restated (Note 8) 2022
Cash provided by (used in):		
Operating activities		
Net revenue	\$ 1,915,204	\$ 1,416,655
Add (deduct) non-cash items:		
Amortization	57,907	50,180
In-kind stock donations	(59,514)	(60,448)
Unrealized (gains) losses on investments	(22,136)	36,031
Change in non-cash working capital items related to operations (Note 7)	(149,216)	67,239
	<u>1,742,245</u>	<u>1,509,657</u>
Investing activities		
Acquisition of capital assets	(77,100)	(21,535)
Purchase of investments	(79,165)	(231,699)
Proceeds from sale of investments	447,139	13,921
	<u>290,874</u>	<u>(239,313)</u>
Increase in cash	2,033,119	1,270,344
Cash, beginning of year	<u>7,408,738</u>	<u>6,138,394</u>
Cash, end of year	<u>\$ 9,441,857</u>	<u>\$ 7,408,738</u>

London and Area Food Bank Inc.

Notes to Financial Statements
December 31, 2023

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 2,767,024 pounds (2022 - 2,277,967 pounds). These donations of food have been valued based on national standards recommended by Food Banks Canada at \$3.52 per pound (2022 - \$3.21 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.

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, 2023

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, the value of donated food, amount payable to funders, accrued liabilities and vacation payable. 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, 2023

2. Investments

	2023	2022
Quoted shares and mutual funds measured at fair value, provided by a prescribed securities dealer	\$ 403,784	\$ 320,756
Guaranteed investment certificate, floating, measured at fair market value	226,040	225,443
^{24 (1)} shares	24,361	17,019
Guaranteed investment certificate, 0.5%, maturing February 2023, measured at amortized cost	-	106,757
Guaranteed investment certificate, 4.75%, maturing April 2024, measured at amortized cost	111,197	-
Guaranteed investment certificate, 2%, maturing August 2023, measured at amortized cost	-	416,160
Guaranteed investment certificate, 1.85%, maturing December 2025, measured at amortized cost	210,749	206,920
Guaranteed investment certificate, 4.9% maturing December 2025, measured at amortized cost	209,800	200,000
Guaranteed investment certificate, 5.15% maturing December 2026, measured at amortized cost	210,300	200,000
Guaranteed investment certificate, 5.25% maturing December 2027, measured at amortized cost	210,500	200,000
	1,606,731	1,893,055
Less: short-term investments	(765,382)	(1,086,135)
Long-term investments	\$ 841,349	\$ 806,920

Investment revenue of \$458,217 (2022 - \$146,296) includes cash paid interest and dividends of \$436,081 (2022 - \$182,327) and unrealized gains (losses) of \$22,136 (2022 - \$(36,031)).

3. Capital Assets

	Cost	Accumulated Amortization	Net	
			2023	2022
Land	\$ 150,000	\$ -	\$ 150,000	\$ 150,000
Building	925,504	476,571	448,933	467,639
Greenhouse	105,786	29,059	76,727	77,895
Vehicles	255,208	188,182	67,026	26,331
Equipment	200,086	154,226	45,860	48,833
Computer equipment	22,351	16,597	5,754	4,409
Computer software	8,890	8,890	-	-
	\$ 1,667,825	\$ 873,525	\$ 794,300	\$ 775,107

London and Area Food Bank Inc.

Notes to Financial Statements
December 31, 2023

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 \$NIL (2022 - \$50,000) 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 \$33,100 (2022 - \$NIL) in funding from Lawson Foundation and the London Community Foundation for Diabeat IT to fund a garden project to help address relief of hunger and malnutrition and nutritional education in the London area.

	2023	2022
Balance, beginning of year	\$ 132,516	\$ 115,557
Add: amounts received during the year from City of London	-	50,000
Add: amounts received during the year from Diabeat IT	33,100	-
Less: amounts recognized as revenue in the year	(58,039)	(33,041)
	<u>\$ 107,577</u>	<u>\$ 132,516</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 \$15,967 (2022 - \$19,454).

6. 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.

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.

London and Area Food Bank Inc.

Notes to Financial Statements
December 31, 2023

6. Financial Instruments Risk Management (continued)

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.

7. Statement of Cash Flows

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

	2023	Restated (Note 8) 2022
(Increase) decrease in current assets:		
Accounts receivable	\$ (124,894)	\$ 17,134
Government remittances recoverable	(5,190)	11,046
Prepaid expenses	9,820	(2,500)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(9,001)	29,889
Government remittances payable	4,988	(5,289)
Deferred revenue	(24,939)	16,959
Net change	\$ (149,216)	\$ 67,239

8. Prior Period Adjustment

The Organization has previously recorded Canada Helps donations on a cash basis. In prior years, the net variance year over year was not material; however, in 2023 this was a material amount and was therefore recorded on the accrual basis. Accordingly, the financial statements have been restated to adjust for Canada Helps donation revenue on an accrual basis, as follows:

	Prior	Restated	Change
2022 Opening Net Assets	\$ 8,480,062	\$ 8,602,889	\$ 122,827
2022 Accounts receivable	36,748	143,746	106,998
2022 Donation revenue - personal	2,081,823	2,065,993	(15,830)
2022 Closing Net Assets	9,912,547	10,019,544	106,997