

The Local Community Food Centre
Financial Statements
For the Year Ended March 31, 2018

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Tel: 519-271-2491
Fax: 519-271-4013
www.bdo.ca

BDO Canada LLP
380 Hibernia Street
Stratford ON N5A 5W3 Canada

Independent Auditor's Report

To the Directors of The Local Community Food Centre

We have audited the accompanying financial statements of The Local Community Food Centre, which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in fund balance and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, The Local Community Food Centre derives revenue from fundraising and donations, the completeness of which is not susceptible of 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 revenues or deficiency of revenues over expenses for the year ending March 31, 2018.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Local Community Food Centre as at March 31, 2018, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
June 5, 2018

**The Local Community Food Centre
Statement of Financial Position**

March 31

2018

Assets

Current

Cash	\$ 95,129
Accounts receivable	37,654
Inventories	6,050
Prepaid expenses	1,648

140,481

Capital Assets (Note 2)

63,700

\$ 204,181

Liabilities and Fund Balance

Current

Accounts payable and accrued liabilities (Note 3)	\$ 44,527
Deferred revenue (Note 8)	100,491
Deferred capital contributions (Note 4)	63,700

208,718

Fund Balance

(4,537)

\$ 204,181

The Local Community Food Centre Statement of Operations and Changes in Fund Balance

For the year ended March 31

2018

Revenue	
Donations	\$ 126,179
In-kind donations	18,779
Grants (Note 6)	478,039
Events and food distribution	138,611
Interest	486
Amortization of deferred capital contributions (Note 4)	17,800
	<u>779,894</u>
 Expenses	
Advertising and promotion	5,493
Interest and bank charges	1,916
Event expenses	16,119
Food distribution costs	22,355
Food costs	157,039
Gardens and greenhouse	35,297
Insurance	4,162
Lease	40,287
Office	23,534
Professional fees	35,210
Property taxes	6,524
Repairs and maintenance	28,685
Travel	4,519
Utilities	25,342
Wages and benefits	360,149
	<u>766,631</u>
 Excess of revenues over expenses before amortization	 13,263
Amortization of capital assets (Note 2)	(17,800)
	<u>(4,537)</u>
Deficiency of revenues over expenses	(4,537)
 Fund balance, beginning of the year	 -
 Fund balance, end of the year	 \$ (4,537)

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

The Local Community Food Centre Statement of Cash Flows

For the year ended March 31

2018

Cash flows from operating activities	
Excess of revenues over expenses	\$ (4,537)
Items not affecting cash:	
Amortization of capital assets (Note 2)	17,800
Amortization of deferred capital contributions	<u>(17,800)</u>
	(4,537)
Changes in non-cash working capital:	
Accounts receivable	(37,654)
Inventories	(6,050)
Prepaid expenses	(1,648)
Accounts payable and accrued liabilities	44,527
Deferred contributions	<u>100,491</u>
	<u>95,129</u>
Net increase in cash	95,129
Cash, beginning of the year	<u>-</u>
Cash, end of the year	\$ 95,129

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

The Local Community Food Centre Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies

Description of Organization	The Local Community Food Centre ("LCFC") was incorporated under the laws of Canada by letters patent dated July 3, 2015 and is exempt from income taxes as a registered charity under section 149(f) of the Income Tax Act. The LCFC's purpose is to promote and provide access to healthy food in the City of Stratford. Prior to this inaugural fiscal year of separate accounting recognition, the LCFC operated as a program of the local United Way.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Revenue Recognition	<p>The Local Community Food Centre follows the deferral method of accounting for contributions.</p> <p>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. Restricted contributions relating to specified capital assets, other than land, are deferred and amortized to income at the same rate as the amortization of the related capital assets.</p> <p>Revenue from events is recognized as the events are held. Deferred revenue may arise if funds are received in the current fiscal year that relate to subsequent fiscal years.</p>
Financial Instruments	The Local Community Food Centre recognizes and measures financial assets and financial liabilities on the balance sheet when it becomes a party to the contractual provisions of a financial instrument. All transaction costs related to financial instruments are recorded as incurred. All financial instruments are measured at fair value on initial recognition. In subsequent periods, they are reported at cost or amortized cost less impairment. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

The Local Community Food Centre Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution and are amortized, unless fair value is not determinable in which case contributed capital assets are recorded at nominal value at the date of contribution.

Amortization is provided using the declining-balance method at the following rates:

	Rates
Automotive equipment	30%
Furniture and Fixtures	20%
Machinery and equipment	20%

Contributed Materials/Services

A substantial number of volunteers contribute a significant amount of their time to The Local Community Food Centre each year. Due to the difficulty of determining fair value, these contributed services are not recognized in the financial statements.

Contributed materials for which the fair value is determinable and the item would have been otherwise purchased are recorded in the financial statements as both an in-kind donation and an expense. The Local Community Food Centre receives in-kind donations of various food items which are included in donation revenue and food costs.

Use of Estimates

The preparation of financial statements in accordance with the Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

The Local Community Food Centre Notes to Financial Statements

March 31, 2018

2. Capital Assets

	2018	
	Cost	Accumulated Amortization
Furniture and Fixtures	\$ 1,500	\$ 300
Machinery and equipment	65,000	13,000
Automotive equipment	15,000	4,500
	81,500	17,800
Net Book Value		\$ 63,700

In emerging from under the umbrella of the United Way and being given separate accounting recognition, as described in the "Description of Organization" note above, the LCFC brought with it the capital assets used in its operations. These capital assets had an estimated fair market value at the time of \$81,500.

Amortization is a non-cash accounting expense designed to apportion the cost of capital assets over their useful service lives.

3. Accounts payable

Included in accounts payable are amounts due to the federal and provincial governments totaling \$10,184.

4. Deferred Capital Contributions

Deferred capital contributions represent the unamortized portion of government grants received for the purchase of specific capital assets subject to amortization. Changes in deferred capital contributions for the year ended March 31 were as follows:

	2018
Balance, beginning of year	\$ -
Capital contributions	81,500
Amortization of deferred capital contributions	(17,800)
Balance, end of year	\$ 63,700

The Local Community Food Centre Notes to Financial Statements

March 31, 2018

5. Financial Instruments

It is management's opinion that the Local Community Food Centre is not exposed to significant currency, credit or interest rate risks arising from its financial instruments.

6. Grants

	<u>2018</u>
Non Government Grants	
Community Food Centre Canada	\$ 269,090
Libro Credit Union	13,500
Stratford Perth County Community Foundation	17,902
United Way Perth Huron	42,047
United Way Simcoe Muskoka	52,000
Others	<u>29,078</u>
	423,617
Federal Grants	
Canada Summer Jobs	10,220
Provincial Grants	
Minister of Tourism, Culture and Sport	26,202
City Grants	
City of Stratford	<u>18,000</u>
	<u>\$ 478,039</u>

7. Commitments

The Local Community Food Centre has an operating lease that expires March 31, 2022.

Future lease payments for the next four years are as follows:

2019	\$ 40,696
2020	41,109
2021	41,526
2022	41,948

The Local Community Food Centre Notes to Financial Statements

March 31, 2018

8. Deferred Revenue

	<u>2018</u>
Non Government Grants	
Community Food Centre Canada	\$ 78,221
Libro Credit Union	4,500
Other	<u>14,020</u>
	96,741
City Grants	
City of Stratford	<u>3,750</u>
Balance, end of year	<u>\$ 100,491</u>
