

The Local Community Food Centre
Financial Statements
For the Year Ended March 31, 2019

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Independent Auditor's Report

To the Directors of The Local Community Food Centre

Qualified Opinion

We have audited the accompanying financial statements of The Local Community Food Centre ("the Centre"), which comprise the statement of financial position as at March 31, 2019, the statements of operations and changes in fund balance 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 financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2019, 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 charitable organizations, the Centre derives revenue from events, food distribution and donations in the form of cash, 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 Centre. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, and cash flow from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets and fund balances as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 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 Centre 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 audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 Centre'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 Centre'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 Centre 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.

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
May 21, 2019

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

March 31	2019	2018
Assets		
Current		
Cash	\$ 72,169	\$ 95,129
Accounts receivable	50,286	37,654
Inventories	5,603	6,050
Prepaid expenses	2,164	1,648
	130,222	140,481
Capital Assets (Note 2)	103,074	63,700
	\$ 233,296	\$ 204,181
Liabilities and Fund Balance		
Current		
Accounts payable and accrued liabilities (Note 3)	\$ 54,027	\$ 44,527
Deferred revenue (Note 8)	75,606	100,491
Deferred capital contributions (Note 4)	106,726	63,700
	236,359	208,718
Fund Balance	(3,063)	(4,537)
	\$ 233,296	\$ 204,181

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

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

For the year ended March 31	2019	2018
Revenue		
Donations	\$ 145,836	\$ 144,958
In-kind donations	12,643	20,064
Grants (Note 6)	504,560	457,975
Events and food distribution	170,879	138,611
Interest	605	486
Amortization of deferred capital contributions (Note 4)	21,974	17,800
	856,497	779,894
Expenses		
Advertising and promotion	9,116	5,493
Amortization of capital assets	21,974	17,800
Event expenses	16,422	16,119
Food costs	189,224	158,901
Food distribution costs	32,050	22,355
Gardens and greenhouse	13,853	35,297
Insurance	10,154	4,162
Interest and bank charges	2,601	1,916
Lease	40,287	40,287
Office	25,565	21,672
Professional fees	36,051	35,210
Property taxes	6,410	6,524
Repairs and maintenance	16,608	28,685
Travel	3,748	4,519
Utilities	28,709	25,342
Wages and benefits	402,251	360,149
	855,023	784,431
Excess (deficiency) of revenues over expenses	1,474	(4,537)
Fund balance, beginning of the year	(4,537)	-
Fund balance, end of the year	\$ (3,063)	\$ (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	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ 1,474	\$ (4,537)
Items not affecting cash:		
Amortization of capital assets (Note 2)	21,974	17,800
Amortization of deferred capital contributions (Note 4)	(21,974)	(17,800)
	1,474	(4,537)
Changes in non-cash working capital:		
Accounts receivable	(12,632)	(37,654)
Inventories	447	(6,050)
Prepaid expenses	(516)	(1,648)
Accounts payable and accrued liabilities	9,500	44,527
Deferred revenue	(24,885)	100,491
	(26,612)	95,129
Cash flows from investing activities		
Acquisition of capital assets	(61,348)	-
Capital contributions received	65,000	-
	3,652	-
Net (decrease) increase in cash	(22,960)	95,129
Cash, beginning of the year	95,129	-
Cash, end of the year	\$ 72,169	\$ 95,129

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

The Local Community Food Centre Notes to Financial Statements

March 31, 2019

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.
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, 2019

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%
Computer equipment	50%

Leasehold improvements are amortized over the 9 year remaining term of the lease including the optional 5 year renewal period.

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, 2019

2. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 8,400	\$ 1,920	\$ 1,500	\$ 300
Machinery and equipment	66,184	23,637	65,000	13,000
Automotive equipment	15,000	7,650	15,000	4,500
Computer equipment	1,668	834	-	-
Leasehold improvements	51,596	5,733	-	-
	142,848	39,774	81,500	17,800
Net Book Value	\$ 103,074		\$ 63,700	

3. Accounts payable

Included in accounts payable are amounts due to the federal and provincial governments totaling \$7,759 (2018 - \$10,184).

4. Deferred Capital Contributions

Deferred capital contributions represent the unamortized portion of restricted contributions 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:

	2019	2018
Balance, beginning of year	\$ 63,700	\$ -
Capital contributions received	65,000	81,500
Capital contributions amortized to income	(21,974)	(17,800)
	\$ 106,726	\$ 63,700

5. Financial Instruments

Consistent with prior years, 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.

The Local Community Food Centre Notes to Financial Statements

March 31, 2019

6. Grants

	2019	2018
Non Government Grants		
Community Food Centre Canada	\$ 310,642	\$ 269,090
Libro Credit Union	4,500	13,500
Stratford Perth County Community Foundation	7,250	17,902
United Way Perth Huron	55,000	42,047
United Way Simcoe Muskoka	-	52,000
Others	76,866	9,014
	454,258	403,553
Federal Grants		
Canada Summer Jobs	18,537	10,220
Provincial Grants		
Ministry of Children, Community and Social Services	8,000	-
Ministry of Seniors and Accessibility	8,765	-
Ministry of Tourism, Culture and Sport	-	26,202
	16,765	26,202
City Grants		
City of Stratford	15,000	18,000
	\$ 504,560	\$ 457,975

7. Commitments

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

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

2020	\$	41,109
2021		41,526
2022		41,948

The Local Community Food Centre Notes to Financial Statements

March 31, 2019

8. Deferred Revenue

	<u>2019</u>	<u>2018</u>
Non Government Grants		
Community Food Centre Canada	\$ 68,356	\$ 78,221
Libro Credit Union	-	4,500
Other	3,500	14,020
	<u>71,856</u>	<u>96,741</u>
City Grants		
City of Stratford	<u>3,750</u>	<u>3,750</u>
Balance, end of year	<u>\$ 75,606</u>	<u>\$ 100,491</u>

9. Comparative Information

Certain comparative figures for the previous year have been restated to conform to the current year's presentation.
