

**The Local Community Food
Centre**

Financial Statements

Year ended March 31, 2021

The Local Community Food Centre Table of Contents

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Independent Auditor's Report

To the Directors of The Local Community Food Centre

Qualified Opinion

We have audited the financial statements of The Local Community Food Centre (the "Centre"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and 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 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 Centre as at March 31, 2021, and its results of 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 Centre derives revenue from fundraising activities 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 Centre. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. The audit opinion on the financial statements for the year ended March 31, 2020 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 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 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.

Independent Auditor's Report, continued

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.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

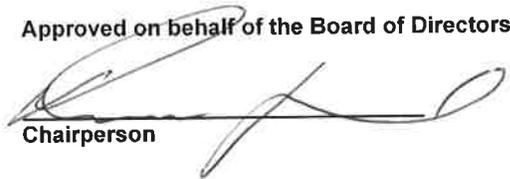
London, Canada
May 27, 2021

MNP

The Local Community Food Centre
Statement of Financial Position
As at March 31, 2021

| | 2021 | 2020 |
|---|------------|------------|
| Assets | | |
| Current | | |
| Cash | \$ 232,548 | \$ 93,971 |
| Accounts receivable | 67,576 | 20,424 |
| Inventories | 6,175 | 7,145 |
| Prepaid expenses | 2,703 | 2,138 |
| | 309,002 | 123,678 |
| Capital assets (note 3) | 146,632 | 101,378 |
| | \$ 455,634 | \$ 225,056 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities (note 4) | \$ 126,758 | \$ 37,584 |
| Deferred capital contributions (note 5) | 157,361 | 135,574 |
| Deferred revenue (note 6) | 94,718 | 61,506 |
| | 378,837 | 234,664 |
| Fund Balances | | |
| Fund Balance per page 4 | 76,797 | (9,608) |
| | \$ 455,634 | \$ 225,056 |

Approved on behalf of the Board of Directors


 Chairperson


 Treasurer

The Local Community Food Centre

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2021

| | 2021 | 2020 |
|--|------------------|-------------------|
| Revenues | | |
| Grants | \$ 611,990 | \$ 488,655 |
| Donations | 328,540 | 133,699 |
| Events and food distribution | 141,508 | 191,496 |
| Amortization of deferred capital contributions (note 5) | 27,821 | 20,152 |
| In-kind donations | 6,736 | 2,791 |
| Interest | 190 | 391 |
| | 1,116,785 | 837,184 |
| Expenditures | | |
| Advertising and promotion | 2,179 | 2,262 |
| Amortization of capital assets | 29,743 | 21,574 |
| Event expenses | 9,362 | 21,580 |
| Food costs | 162,059 | 177,082 |
| Food distribution costs | 68,719 | 33,948 |
| Gardens and greenhouse | 7,726 | 4,242 |
| Honoraria | 24,850 | 13,567 |
| Insurance | 11,123 | 13,947 |
| Interest and bank charges | 5,565 | 3,779 |
| Lease | 41,557 | 41,121 |
| Office | 32,278 | 27,648 |
| Professional fees | 14,024 | 47,304 |
| Property taxes | 10,417 | 5,750 |
| Repairs and maintenance | 12,987 | 16,902 |
| Travel | 1,972 | 3,276 |
| Utilities | 29,687 | 25,468 |
| Wages and benefits | 566,132 | 384,279 |
| | 1,030,380 | 843,729 |
| Excess (deficiency) of revenues over expenditures | 86,405 | (6,545) |
| Fund Balance, beginning of year | (9,608) | (3,063) |
| Fund Balance, end of year | \$ 76,797 | \$ (9,608) |

The accompanying notes are an integral part of these financial statements

The Local Community Food Centre
Statement of Cash Flows
Year ended March 31, 2021

| | 2021 | 2020 |
|---|-------------------|-------------|
| Operating activities | | |
| Excess (deficiency) of revenues over expenditures | \$ 86,405 | \$ (6,545) |
| Items not affecting cash | | |
| Amortization of capital assets | 29,743 | 21,574 |
| Amortization of deferred capital contributions | (27,821) | (20,152) |
| | 88,327 | (5,123) |
| Change in non-cash working capital items | | |
| (Increase) decrease in accounts receivable | (47,152) | 29,862 |
| Decrease (increase) in inventories | 970 | (1,542) |
| (Increase) decrease in prepaid expenses | (565) | 26 |
| Increase (decrease) in accounts payable and accrued liabilities | 89,175 | (16,443) |
| Increase (decrease) in deferred revenue (note 6) | 33,212 | (14,100) |
| | 163,967 | (7,320) |
| Investing activities | | |
| Purchase of capital assets | (74,998) | (19,878) |
| Capital contributions received | 49,608 | 49,000 |
| | (25,390) | 29,122 |
| Change in cash position | 138,577 | 21,802 |
| Cash, beginning of year | 93,971 | 72,169 |
| Cash, end of year | \$ 232,548 | \$ 93,971 |

The Local Community Food Centre

Notes to the Financial Statements

March 31, 2021

1. Nature of operations

The Local Community Food Centre (the "Centre") 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 Centre's purpose is to promote and provide access to healthy food in the City of Stratford.

Impact of COVID-19

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had 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. In response, the Centre has adjusted its operations to have meals provided in a take out and delivery format and has moved its education sessions to online formats. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Centre 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.

2. Significant accounting policies

(a) Basis of accounting

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations.

(b) Revenue recognition

The Centre follows the deferral method of accounting for contributions.

Restricted grant contributions and donations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grant contributions and donations 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.

Revenue from events and food distribution is recognized as events are held and at the time food is sold. Deferred revenue may arise if funds are received in the current fiscal year that relate to subsequent fiscal years.

(c) 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:

| | |
|-------------------------|-----|
| Machinery and equipment | 20% |
| Automotive Equipment | 30% |
| Furniture and fixtures | 20% |
| Computer equipment | 50% |

Amortization of leasehold improvements is recorded over the remaining term of the lease including the optional 5 year renewal period.

Capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

The Local Community Food Centre

Notes to the Financial Statements

March 31, 2021

2. Significant accounting policies, continued

(d) Inventories

Inventory is measured at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Cost includes the purchase cost of any food products..

(e) Financial instruments

(i) Measurement of financial instruments

The Centre initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Centre subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Forward exchange contracts and interest rate swaps that are not hedging items are measured at fair value. Changes in fair value are recognized in net income.

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ♦ the present value of the cash flows expected to be generated by the asset or group of assets;
- ♦ the amount that could be realized by selling the assets or group of assets;
- ♦ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

(f) Contributed materials and services

A substantial number of volunteers contribute a significant amount of their time to the 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 Centre receives in-kind donations of various food items which are included in donation revenue and food costs.

The Local Community Food Centre

Notes to the Financial Statements

March 31, 2021

2. Significant accounting policies, continued

(g) 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. Accounts subject to estimates in these financial statements include the useful life of capital assets, net realizable value of inventories and the allowance for doubtful accounts. Actual results may vary from these estimates.

3. Capital Assets

| | 2021 | | 2020 | |
|-------------------------|-------------------|-------------------------------------|-------------------|-------------------|
| | <i>Cost</i> | <i>Accumulated amortization</i> | <i>Net</i> | <i>Net</i> |
| Machinery and equipment | \$ 71,171 | \$ 40,176 | \$ 30,995 | \$ 35,163 |
| Automotive Equipment | 15,000 | 11,398 | 3,602 | 5,145 |
| Furniture and fixtures | 29,489 | 10,228 | 19,261 | 13,972 |
| Leasehold Improvements | 120,394 | 27,829 | 92,565 | 46,681 |
| Computer equipment | 1,668 | 1,459 | 209 | 417 |
| | \$ 237,722 | \$ 91,090 | \$ 146,632 | \$ 101,378 |

Amortization for the year amounted to \$29,743 (2020 - \$21,574).

4. Accounts payable and accrued liabilities

Included in accounts payable are amounts due to the federal and provincial governments totaling \$16,931 (2020 - \$5,283).

5. 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:

| | 2021 | | 2020 | |
|---|-------------------|-------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 135,574 | \$ 106,726 | \$ 106,726 | \$ 106,726 |
| Capital contributions received | 49,608 | 49,000 | 49,000 | 49,000 |
| Capital contributions amortized to income | (27,821) | (20,152) | (27,821) | (20,152) |
| | \$ 157,361 | \$ 135,574 | \$ 135,574 | \$ 135,574 |

The Local Community Food Centre

Notes to the Financial Statements

March 31, 2021

6. Deferred Revenue

| | <i>Opening balance</i> | <i>Restricted funding received</i> | <i>Restricted funding recognized</i> | <i>Ending balance</i> |
|---|----------------------------|--|--|-----------------------|
| Non-Government Grants: | | | | |
| Community Food Centre Canada | \$ 12,756 | \$ 117,442 | \$ 78,053 | \$ 52,145 |
| Other | 20,000 | 108,791 | 86,218 | 42,573 |
| | 32,756 | 226,233 | 164,271 | 94,718 |
| Federal Grants: | | | | |
| Employment & Social Development Canada | 25,000 | - | 25,000 | - |
| City Grants: | | | | |
| City of Stratford | 3,750 | - | 3,750 | - |
| | \$ 61,506 | \$ 226,233 | \$ 193,021 | \$ 94,718 |

7. Financial instruments

Unless otherwise noted it is management's opinion that the Centre is not exposed to significant risks. There have been no changes in the Centre's risk exposures from the prior year.

(a) Credit risk

Credit risk is the potential for financial loss should a counter-party in a transaction fail to meet its obligations. The Centre places its cash with high quality institutions and believes its exposure is not significant. The Centre reduces its credit risk from accounts receivable by carefully reviewing credits provided and creating an allowance for bad debts when applicable.

(b) Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet its obligations as they become due. The Centre manages this risk by establishing budgets and monitoring cash flows.

8. Comparative Information

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

9. Commitments

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

Future lease payments for the next year are \$41,948.

The Centre has the option to renew the lease for an additional five year term commencing April 1, 2022. The terms of the lease renewal are to be negotiated should the Centre exercise this option, but no commitment to do so has been made at this time.