



LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)

FINANCIAL STATEMENTS

DECEMBER 31, 2019

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)

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INDEPENDENT AUDITORS' REPORT

To the Stakeholders of Lifecorps International (O/A The Food Bank of York Region)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Lifecorps International (O/A The Food Bank of York Region), which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, changes in operations and cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lifecorps International (O/A The Food Bank of York Region) as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, Lifecorps International (O/A The Food Bank of York Region) derives revenue from donations and donated products and services, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues and donated materials and supplies were limited to the amounts recorded in the records of Lifecorps International (O/A The Food Bank of York Region). Therefore, we were not able to determine whether any adjustments might be necessary to these revenues, donated materials and supplies, excess of revenues over expenses, and cash flows from operations for the year ending December 31, 2019, and current assets, and net assets as at December 31, 2019. Our audit opinion was modified accordingly because of the possible effects of this scope limitation.

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 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.

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 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 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.

August 6, 2020

Sloan Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
STATEMENT OF FINANCIAL POSITION

As at December 31	2019	2018
ASSETS		
Current		
Cash and cash equivalents	\$ 121,734	\$ 176,353
Restricted cash (note 4 & 8)	50,483	61,392
Accounts receivable (note 7)	49,741	39,348
GST/HST receivable	9,708	6,097
Inventory (note 8)	133,977	143,625
Prepaid expenses	12,477	10,491
	378,120	437,306
Capital assets (note 5)	173,500	220,575
	\$ 551,620	\$ 657,881
 LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 25,622	\$ 20,504
Deferred grants and donations (note 8)	188,013	237,813
Obligations under capital lease (note 10)	16,761	15,938
	230,396	274,255
Obligations under capital lease (note 10)	53,970	70,730
Deferred capital grants (note 6 & 8)	117,260	153,309
	401,626	498,294
 NET ASSETS		
Unrestricted net assets	149,994	159,587
	149,994	159,587
	\$ 551,620	\$ 657,881

Approved by:

Director: _____

Director: _____

**LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31	2019	2018
NET ASSETS CONSIST OF:		
Unrestricted net assets		
Balance, beginning of the year	159,587	124,676
Excess (deficiency) of revenue over expenses	(9,593)	34,911
	<u>149,994</u>	<u>159,587</u>
NET ASSESTS, end of the year	\$ 149,994	\$ 159,587

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
STATEMENT OF OPERATIONS

Year ended December 31	2019	2018
REVENUE		
Donated materials and supplies (note 2)	\$ 3,933,508	\$ 3,284,929
Grants	184,420	143,650
Donations	173,261	149,572
Designated fund receipts (note 9)	118,367	57,631
Service charges from agencies	8,764	18,250
Other revenue	7,855	10,591
Amortization of deferred capital grants	46,050	32,261
	4,472,225	3,696,884
EXPENSES		
Distribution of donated materials and supplies (note 2)	3,933,508	3,284,929
Salaries and wages	127,858	126,492
Designated fund disbursements (note 9)	99,632	54,590
Professional fees	62,139	34,064
Rent	53,996	22,174
Office and general	42,358	23,527
Supplies and warehousing costs	31,739	7,082
Advertising & promotion	16,583	11,842
Vehicle and travel	15,949	17,409
Utilities	9,938	6,822
Brokerage and recruiting	8,577	-
Insurance	7,309	7,371
Interest on capital lease	4,280	5,056
Interest and bank charges	1,226	1,707
Amortization of tangible assets	66,726	58,908
	4,481,818	3,661,973
Excess (deficiency) of revenue over expenses	\$ (9,593)	\$ 34,911

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
STATEMENT OF CASH FLOWS

Year ended December 31	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (9,593)	\$ 34,911
Items not affecting cash:		
Amortization of tangible assets	66,726	58,908
Amortization of deferred capital grants	(46,050)	(32,261)
Other donated materials and supplies	(3,933,508)	(3,284,929)
Distribution of donated materials and supplies	3,933,508	3,284,929
	11,083	61,558
Changes in non-cash working capital:		
Restricted cash	10,909	(61,392)
Accounts receivable	(10,393)	(11,104)
HST recoverable	(3,611)	10,161
Inventory	9,648	(98,997)
Prepaid expenses	(1,986)	(969)
Accounts payable and accrued liabilities	5,118	436
Deferred grants and donations	(49,800)	193,185
Loan payable	-	(4,398)
Net cash (used in) provided by operating activities	(29,032)	88,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(19,650)	(156,317)
Net cash used in investing activities	(19,650)	(156,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligation	(15,937)	(15,162)
Grants funds received	10,000	148,217
Net cash (used in) provided by financing activities	(5,937)	133,055
NET (DECREASE) INCREASE IN CASH	(54,619)	65,218
CASH AT THE BEGINNING OF THE YEAR	176,353	111,135
CASH AT THE END OF THE YEAR	\$ 121,734	\$ 176,353

See accompanying notes to the financial statements

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. PURPOSE OF THE ORGANIZATION

LifeCorps International is incorporated under the Canada Business Corporations Act. Lifecorps is a Canadian Registered Charity dedicated to the eradication of poverty in all its forms through the promotion of sustainable development including health care, education, provision of basic human needs to all people - irrespective of their race, politics or religion.

The mission is accomplished by working hand in hand with existing "on the ground" organizations, including Non-Governmental Organizations (NGOs), other groups and individuals in order to provide the following:

1. Health care facilities for primary health care and treatment of diseases such as Malaria, dengue fever and other Tropical diseases;
2. Education facilities and resources to break the "Poverty cycle";
3. Expertise and funding that begins with construction and empowers locals to assume responsibility; and
4. Further primary needs, such as: portable water, sanitation facilities, food, clothing and shelter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for Not-for-Profit Organizations (ASNPO). Outlined below are those policies considered particularly significant by the Organization.

Donated materials and supplies

Donated materials and supplies are recorded at their fair market value at the time of the donation. During the year \$3,933,508 (2018 - \$3,284,929) was recorded as donations for the Lifebread program for donated materials and supplies. If the donating organization discloses the value of the goods, then that is used as the fair market value. If the value is not disclosed, then the organization uses \$2.60 per pound as the fair market value.

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 recognition, measurement and disclosure of amounts reported in the financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from these estimates. Significant estimates and assumptions are comprised of the valuation of inventory and donated materials and supplies, and the useful lives of capital assets including deferred capital contributions.

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided at rates intended to write-off assets over their estimated productive lives as follows:

	<u>Rate</u>	<u>Method</u>
Vehicles	30%	declining balance
Vehicles - capital lease	30%	declining balance
Furniture and equipment	20%	declining balance
Leasehold improvements	5 years	straight-line over term of lease

The Organization regularly reviews its property, plant and equipment to eliminate obsolete items and fully amortized items no longer in service.

Revenue

The organization follows the deferral method of accounting for donations.

- Unrestricted donations are recognized as revenue when received.
- Externally restricted donations are deferred and taken into revenue when the funds are spent.
- Donations restricted for the purchase of capital assets are deferred and amortized into revenue at an amount equal to the amortization of that group of capital assets.
Donated materials and supplies are only recorded as revenue when the estimated fair market value of the items
- donated can be supported within the policy set out by the Charities Directorate of the Canada Revenue Agency.
- The organization charges service fees from the agencies it serves during the year. The service charge is \$2 per unique individual served by the agencies during the year.

Inventory

Inventory consists of donated materials and supplies and is recorded within the policies set out above. Otherwise, inventory is stated at the lower of cost and market value. Market value is considered as replacement value or estimated realizable value, whichever is lower.

Contributed services

Volunteers contribute many hours each year to assist the Organization in carrying out its activities. These services materially benefit the organization. Due to the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

All assets and liabilities, with the exception of prepaid expenses, are financial instruments, are initially recorded at fair market value and are subsequently recorded at amortized cost.

Financial assets subsequently measured at amortized cost include cash, restricted cash and receivables. Financial liabilities carried at amortized cost include accounts payable and accrued liabilities.

3. CAPITAL MANAGEMENT

When managing capital, the Organization's objective is to ensure that the entity continues as a going concern so that it can continue to pursue its purpose.

The Organization sets the amount of capital in proportion to the risk. To manage and maintain its capital structure, the Organization may make adjustments to internally restricted and unrestricted funds, in light of changes to economic conditions and the risk characteristics of the underlying assets, with consideration of externally imposed capital requirements.

There were no changes in the Organization's approach to capital management during the year ended December 31, 2019.

4. RESTRICTED CASH

	2019	2018
Cash held in RBC Bingo account	\$ 7,526	\$ 4,675
Cash - unused portion of Ontario Trillium Foundation grant	42,957	56,717
	\$ 50,483	\$ 61,392

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Vehicles - capital lease	\$ 122,023	\$ 71,200	\$ 50,823	\$ 72,604
Vehicles	190,803	97,103	93,700	133,858
Furniture and equipment	47,795	18,818	28,977	14,113
Leasehold improvements	29,473	29,473	-	-
	\$ 390,094	\$ 216,594	\$ 173,500	\$ 220,575

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
NOTES TO THE FINANCIAL STATEMENTS
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6. NET ASSETS INVESTED IN CAPITAL ASSETS

	2019	2018
The net assets invested in capital assets consists of the following:		
Net book value of capital assets	\$ 173,500	\$ 220,575
Amounts financed by deferred capital grants	(117,260)	(153,309)
	\$ 56,240	\$ 67,266

The change in net assets invested in capital assets is calculated as follows:

Opening net cumulative balance	\$ 67,266	\$ 85,813
Purchase of capital assets	19,650	156,317
Amortization	(66,726)	(58,908)
Amortization of deferred capital grants	46,050	32,261
Grant funds received	(10,000)	(148,217)
	\$ 56,240	\$ 67,266

7. ACCOUNTS RECEIVABLE

	2019	2018
Donations receivable from Daily Bread (Sounds of the Season Fundraiser)	\$ 32,872	\$ 26,561
Grant receivable from The Regional Municipality of York	11,655	11,418
Restricted donations receivable from BINGO	3,554	1,369
Magna International	1,660	-
	\$ 49,741	\$ 39,348

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
NOTES TO THE FINANCIAL STATEMENTS
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8. DEFERRED GRANTS

The balance represents the unamortized value of restricted grants received towards the purchase of capital assets. These grants are amortized at the same rate at which the related asset is amortized.

	2019	2018
Deferred grants and donations consists of the following:		
All State Insurance Company	\$ -	\$ 21,428
Harold Balord Foundation	-	10,000
Ontario Trillium Foundation (Unutilized portion)	42,957	56,717
BINGO (Restricted Cash: \$7,526 and Accounts Receivable: \$3,553)	11,079	6,042
Undistributed food donations	133,977	143,625
	\$ 188,013	\$ 237,812
Deferred capital grants related to capital assets:		
Balance, beginning of the year	\$ 153,310	\$ 37,353
Additional restricted transfers received	10,000	148,217
Current year's amortization	(46,050)	(32,260)
	\$ 117,260	\$ 153,310

The aforementioned grants are restricted for the following purposes:

- All State Insurance Company: In the prior year, the grant has been provided for regular day to day expenses of the organization.
- Harold Balord Foundation: The grant was provided in 2018 for the purchase of a new forklift which was purchased in 2019.
- Ontario Trillium Foundation: As mentioned in note 12, the grant was provided to expand a program helping economically vulnerable people living in York region to meet basic food needs.
- BINGO: The Lifecorps' staff performs volunteer work at BINGO. This grant has been provided for the expenses towards the lease on the delivery truck, insurance, staff wages and salaries in carrying these activities.
- Undistributed food donations: This balance represents the inventory on hand at the year end waiting to be distributed subsequent to the year end.

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
NOTES TO THE FINANCIAL STATEMENTS
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9. DESIGNATED FUNDS

Designated fund receipts consists of the following;

Ontario Trillium Foundation	\$	73,760	\$	48,566
Bingo Donations		33,391		3,205
Country Hoedown & Magna		7,570		-
Canada Summer Jobs Program		3,646		3,360
Hillside Produce Donations		-		2,500
		118,367		57,631
	\$	118,367	\$	57,631

Designated fund disbursements consists of the following;

Ontario Trillium Foundation	\$	73,760	\$	48,566
Bingo Donations (total disbursement \$33,391; of the total capital expense \$18,533)		14,858		1,520
Country Hoedown & Magna		7,570		-
Summer Jobs Program Expenses		3,444		3,144
Hillside Produce		-		1,360
		99,632		54,590
	\$	99,632	\$	54,590

10. OBLIGATION UNDER CAPITAL LEASE

	Current	Long-term	2019	2018
Capital Lease	\$ 16,761	\$ 53,970	\$ 70,731	\$ 86,668
			70,731	
			70,731	

The Organization has entered into a capital lease obligation. The lease bears interest at 5.88% per annum, is repayable in 60 monthly principal and interest payments of \$1,491, terms ends at April 2022 and includes a guaranteed buyout of \$30,256.

The long term debt repayment over the next few years are as follows:

2020	\$	16,761
2021		17,633
2022		36,337
		70,731
	\$	70,731

LIFECORPS INTERNATIONAL (O/A THE FOOD BANK OF YORK REGION)
NOTES TO THE FINANCIAL STATEMENTS
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11. FINANCIAL INSTRUMENTS

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, liquidity or other price risks arising from these financial instruments.

12. COMMITMENTS

In 2017, the Ontario Trillium Foundation "The Foundation" approved a grant of \$373,500 to expand a program helping economically vulnerable people living in York region to meet basic food needs. This grant will be disbursed to the Organization over the period of thirty six months as expenses will be incurred as per agreed upon terms. During 2018, total amount of \$253,500 was received from the Foundation. Of the total grant received, \$148,217 was spent towards the purchase of 2018 HINO Truck and \$48,566 towards other expenses as per the approved budget.

During the current fiscal year, total amount of \$60,000 was received from the Foundation. \$73,760 was spent towards other expenses per the approved budget.

As of December 31, 2019, the remaining unused balance of \$42,957 has been recorded and included in deferred grants as disclosed in note 8.

The Organization has entered into a rental lease agreement which commences from July 1, 2019 to June 30, 2024. The minimum aggregate payments for the next five years are as follows:

2020	\$ 56,172
2021	56,172
2022	58,346
2023	60,521
Thereafter	<u>30,260</u>
	<u>\$ 261,471</u>

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have cause material disruption to businesses globally and in Canada resulting in an economic slowdown.

Governments and Central Banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, which may have a direct impact on the Organization's financial position in the future.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.