



**FOOD FOR
THE HUNGRY**

**FH CANADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

INDEPENDENT AUDITORS' REPORT

To the Members of FH Canada

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of FH Canada (the "Organization"), which comprise the statement of financial position as at September 30, 2021, and the statements of changes in net assets, operations 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 September 30, 2021, and the results of its operations and 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 Organization derives revenue from 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 donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended September 31, 2021, or current assets and net assets as at September 30, 2021. Our audit opinion on the financial statements for the year ended September 30, 2020 was qualified for the same reason.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with 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.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT

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.

Manning Elliott LLP


MANNING ELLIOTT LLP
Chartered Professional Accountants
Abbotsford, British Columbia
January 13, 2022

FH CANADA
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

| | 2021 | 2020 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 1,455,857 | \$ 1,657,600 |
| Investments (Note 3) | 1,218,359 | 653,770 |
| Accounts receivable | 9,932 | 13,693 |
| Prepaid expenses | 105,561 | 133,647 |
| Fair value of foreign exchange contracts (Note 4) | - | 3,583 |
| | 2,789,709 | 2,462,293 |
| LEASEHOLD IMPROVEMENTS, EQUIPMENT AND SOFTWARE (Note 5) | 26,493 | 33,015 |
| CASH SURRENDER VALUE OF LIFE INSURANCE | 8,575 | 7,372 |
| | \$ 2,824,777 | \$ 2,502,680 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 227,484 | \$ 151,372 |
| Deferred contributions (Note 6) | 127,698 | 567,207 |
| Fair value of foreign exchange contracts (Note 4) | 28,448 | - |
| | 383,630 | 718,579 |
| NET ASSETS | 2,441,147 | 1,784,101 |
| | \$ 2,824,777 | \$ 2,502,680 |

Approved by the Board:

 _____ Director

 _____ Director

FH CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | 2021 | 2020 |
|---|---------------------|--------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 1,784,101 | \$ 1,722,789 |
| EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR | 657,046 | 61,312 |
| NET ASSETS - END OF YEAR | \$ 2,441,147 | \$ 1,784,101 |

FH CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | 2021 | 2020 |
|---|-------------------|-------------------|
| REVENUE | | |
| Donations (Note 8) | \$ 8,034,303 | \$ 6,494,797 |
| Gifts in kind | 4,536,896 | 4,770,766 |
| Investment and other income (Note 9) | 95,545 | 153,374 |
| | 12,666,744 | 11,418,937 |
| EXPENSES | | |
| International programs (Note 12) | 9,319,636 | 8,783,832 |
| Canadian programs (Note 12) | 275,993 | 258,388 |
| Public awareness and education (Note 12) | 336,826 | 192,157 |
| Investment and other expenses (Note 9) | 144,948 | 643 |
| | 10,077,403 | 9,235,020 |
| SUPPORT | | |
| Fundraising (Notes 10, 12) | 1,270,588 | 1,587,072 |
| Administration (Note 12) | 661,707 | 535,533 |
| | 1,932,295 | 2,122,605 |
| | 12,009,698 | 11,357,625 |
| EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR | \$ 657,046 | \$ 61,312 |

FH CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | 2021 | 2020 |
|--|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses for the year | \$ 657,046 | \$ 61,312 |
| Items not affecting cash: | | |
| Amortization | 16,345 | 16,902 |
| Change in the cash surrender value of life insurance | (1,203) | (904) |
| Loss on disposal of assets | - | 542 |
| Loss on disposal of investments | 325 | 10 |
| Change in unrealized foreign exchange contracts | 32,031 | (18,649) |
| Unrealized gain on investments | (50,462) | (5,578) |
| | 654,082 | 53,635 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 3,761 | 855 |
| Accounts payable and accrued liabilities | 76,112 | (95,863) |
| Deferred contributions | (439,509) | 271,252 |
| Prepaid expenses | 28,086 | 65,296 |
| | (331,550) | 241,540 |
| | 322,532 | 295,175 |
| INVESTING ACTIVITIES | | |
| Purchase of equipment | (9,821) | (14,462) |
| (Purchase) disposal of investments | (514,454) | 305,937 |
| | (524,275) | 291,475 |
| NET CHANGE IN CASH DURING THE YEAR | (201,743) | 586,650 |
| CASH - BEGINNING OF YEAR | 1,657,600 | 1,070,950 |
| CASH - END OF YEAR | \$ 1,455,857 | \$ 1,657,600 |

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NATURE OF OPERATIONS

FH Canada (the "Organization") is incorporated under the Canada Not-for-profit Corporations Act, is registered as a charity under the Income Tax Act (Canada), and accordingly is exempt from income taxes on its operations. The purpose of FH Canada is to provide sustainable development and disaster relief to the needy and destitute of the world, and to provide educational programs and information in Canada to enhance public understanding of the issues surrounding poverty.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in accordance with Canadian generally accepted accounting principles (GAAP), and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Cash

Cash includes cash and cash equivalents. Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date. Cash equivalents are short-term deposits with maturity dates of less than 90 days.

(b) Amortization

Leasehold improvements, equipment and software is stated at cost less accumulated amortization. The following asset categories are amortized on the declining balance basis over the estimated useful life of the assets at the following annual rates:

| | |
|------------------------|-----|
| Furniture and fixtures | 20% |
| Computer hardware | 40% |

Leasehold improvements are amortized on the straight-line basis over the term of the lease. Computer software is amortized on the straight-line basis over three years.

(c) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Donations and sponsorships include cash contributions. 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. Contributions restricted by the donor for specific programs are deferred until used for the specific program. If restricted contributions are received in excess of the amount needed by the Organization for the specific program the donations are treated as unrestricted.

Donations of goods and supplies are recognized in the accounts of the Organization at estimated fair market value. In cases where a gift in kind charitable receipt is required for contributed materials they are recognized as revenue when received, if the amount to be received can be reasonably estimated.

Service income is recognized when services have been rendered.

Income from investments is recorded as earned, including gains and losses based on quoted fair values, whether realized or unrealized.

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FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(e) Foreign currency translation

Monetary assets and liabilities in currencies other than the Canadian dollar are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Revenue, expenses and non-monetary balances are translated at the rate of exchange prevailing at the transaction dates.

(f) Income taxes

The Organization is registered as a charity under the Canada Not-for-profit Corporations Act and extra-provincially under the Societies Act of British Columbia. The Organization is also registered with Canada Revenue Agency as a charitable organization and, as such, is not subject to income taxes.

(g) Contributed services

A number of volunteers contribute some of their time each year. Due to the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(h) Donations-in-kind

Commodity values represent donated and purchased supplies and food shipped to various areas of need around the world in accordance with the Organization's purpose and objectives. Medical and other equipment and supplies as well as food containers donated to the Organization are shipped directly from the donors' premises.

Other donations-in-kind include gifts of publicly traded equities.

The total donations-in-kind received during the year amounted to \$4,536,896 (2020 - \$4,770,766) and the value of shipments has been recorded as commodities sent to the field in the amount of \$4,564,099 (2020 - \$4,817,853).

(i) Allocation of expenses

The Organization incurs a number of general support expenses that are common to the administration of the Organization and its programs. Where shared or indirect costs relate to more than one activity, such as the administration of these programs, the Organization allocates these costs to all of the activities. These costs include administrative personnel, occupancy costs, and other operating expenses not directly attributable to specific activities. These expenses are allocated by applying a percentage to direct costs of each activity. The percentages provided by management are based on estimates from ongoing analysis and monitoring of the level of support applicable to each program.

(*continues*)

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(j) Financial instruments

i) Measurement

The Organization's financial instruments consist of investments, accounts receivable, foreign exchange contracts or options and accounts payable.

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all of its financial assets and liabilities at amortized cost, except for investments in equity instruments and foreign exchange contracts or options that are quoted in an active market, which are measured at fair value. Changes in fair value of equity and foreign exchange hedging instruments carried at fair value are recognized in net income.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost includes accounts payable.

ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in net income. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income in the period in which it is determined.

2. FINANCIAL INSTRUMENTS

Risks and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at the balance sheet date.

a) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk arising primarily from its accounts payable and accrued liabilities. The Organization's ability to meet obligations depends on the receipt of funds from its donors.

b) 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. Market risk comprises three types of risk: currency risk, interest risk and other price risk.

(*continues*)

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2. FINANCIAL INSTRUMENTS *(continued)*

c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization receives donations largely in Canadian funds from donors, which are then remitted to the beneficiary countries in US dollars to fund program activities. Currency risk arises as a result of the possibility of the cost of program activities fluctuating because of changes in foreign exchange rates. The Organization also has cash denominated in foreign currencies and thus is exposed to the financial risk of earning fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Organization manages this risk through forward currency contracts or options.

d) 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 on its fixed and floating interest rate financial instruments. Fixed rate instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

e) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization's investments in publicly traded securities expose the Organization to market risk as such investments are subject to price changes in the open market.

3. INVESTMENTS

| | 2021 | 2020 |
|-----------------------------------|---------------------|-------------------|
| Marketable securities | \$ 418,359 | \$ 253,770 |
| Guaranteed investment certificate | 800,000 | 400,000 |
| | \$ 1,218,359 | \$ 653,770 |

The above investments consist of GICs and equity instruments. The equity investments are quoted on an active market and are measured at fair value. The GIC has an interest rate of 0.56%, matures January 24, 2022 and is recorded at amortized cost.

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

4. FOREIGN EXCHANGE HEDGING

The Organization has entered into forward cover contracts with a notional amount of US dollars \$2,180,000 (2020 - \$2,025,000) with the Bank of Montreal (2020 - Western Union Business Solutions and the Bank of Montreal). The forward contracts require the Organization to purchase US dollars at fixed exchange rates ranging from 1.23 to 1.33. These contracts will mature between October 1, 2021 and January 3, 2023 (2020 - October 1, 2020 and December 1, 2021).

The fair value of the contracts is estimated to be a loss of \$28,448 (2020 - \$3,583 gain) based on mark to market reports prepared by the contract issuers and will fluctuate with changes in the exchange rate until the contracts mature.

Subsequent to year end, the Organization entered into two additional forward cover contracts with the Bank of Montreal similar to the contracts disclosed above. The contracts each have a notional amount of US dollars of \$140,000 with fixed exchange rates of 1.26 and 1.25. The contracts mature on February 1, 2023 and March 1, 2023.

5. LEASEHOLD IMPROVEMENTS, EQUIPMENT AND SOFTWARE

| | Cost | Accumulated amortization | 2021 Net book value | 2020 Net book value |
|------------------------|-------------------|--------------------------|------------------------|------------------------|
| Computer hardware | \$ 76,421 | \$ 52,719 | \$ 23,702 | \$ 26,408 |
| Computer software | 6,683 | 6,683 | - | - |
| Furniture and fixtures | 12,712 | 12,416 | 296 | 369 |
| Leasehold improvements | 61,328 | 58,833 | 2,495 | 6,238 |
| | \$ 157,144 | \$ 130,651 | \$ 26,493 | \$ 33,015 |

6. DEFERRED CONTRIBUTIONS

Deferred contributions represents donations that were designated by supporters and will be disbursed in the future for ongoing programs. When project funding requirements have been fully met, the board of directors has the right to redirect the funds to another project.

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Balance, beginning of year | \$ 567,207 | \$ 295,955 |
| Amounts deferred during the year | 127,698 | 567,207 |
| Amounts recognized as revenue during the year | (567,207) | (295,955) |
| Balance, end of year | \$ 127,698 | \$ 567,207 |

7. CONTRACTUAL OBLIGATIONS

The Organization has an existing operating lease for the use of its premises. Under the terms of the lease, the minimum annual lease payments required are:

2022 \$ 63,901

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

8. DONATIONS

| | 2021 | 2020 |
|--------------|---------------------|---------------------|
| Sponsorships | \$ 3,911,549 | \$ 3,841,870 |
| Donations | 4,122,754 | 2,652,927 |
| | \$ 8,034,303 | \$ 6,494,797 |

9. INVESTMENT AND OTHER INCOME (EXPENSE)

| | 2021 | 2020 |
|-------------------------------------|------------------|----------------|
| Investment and other income: | | |
| Unrealized gain on investments | \$ 55,876 | \$ 6,482 |
| Unrealized gain on foreign exchange | - | 19,126 |
| Other income | 39,669 | 127,766 |
| | 95,545 | 153,374 |
| Investment and other expense: | | |
| Unrealized loss on foreign exchange | (33,001) | - |
| Loss on disposal of assets | - | (542) |
| Loss on disposal of investments | (325) | (10) |
| Foreign exchange loss | (111,622) | (91) |
| | (144,948) | (643) |

10. FUNDRAISING EXPENSES

As required under Section 7(2) of the Charitable Fundraising Act Regulation of Alberta, the Organization discloses that the expenses incurred for the purpose of soliciting contributions includes expenses and fees of \$148,100 (2020 - \$507,639) for artists and fundraising businesses to solicit contributions on the Organization's behalf. The amounts paid as remuneration to employees of the Organization whose principal duties involve fundraising was \$794,362 (2020 - \$747,501).

The Organization supported overseas charitable activities by forwarding funding of \$4,175,598 (2020 - \$3,436,953) and shipped goods valued at \$4,564,099 (2020 - \$4,817,853).

11. COVID RISK

The COVID-19 pandemic is causing significant financial and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The Organization has cancelled certain fundraising events and made various changes to its operations as a result of the pandemic. The Organization continues to monitor and assess the impact COVID-19 will have on its business activities. To date, there has been no significant financial impact to the Organization.

FH CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

12. ALLOCATION OF EXPENSES

| | International programs | Canadian programs | Public awareness and education | Fundraising | Administration | 2021 | 2020 |
|---------------------------------------|---------------------------|----------------------|--------------------------------------|---------------------|-------------------|----------------------|----------------------|
| Commodities sent to the field | \$ 4,564,099 | \$ - | \$ - | \$ - | \$ - | \$ 4,564,099 | \$ 4,817,853 |
| Direct international program payments | 4,173,649 | - | - | 1,950 | - | 4,175,599 | 3,436,953 |
| Wages and benefits | 358,999 | 237,841 | 200,382 | 606,517 | 407,945 | 1,811,684 | 1,561,110 |
| Media and events | 3,397 | - | 47,903 | 406,100 | 8,253 | 465,653 | 751,516 |
| Data processing and communications | 24,828 | 8,569 | 9,906 | 28,545 | 100,120 | 171,968 | 156,925 |
| Commodity shipping and other costs | 140,396 | - | - | - | - | 140,396 | 138,299 |
| Postage and delivery | 4,709 | 226 | 79 | 127,685 | 4,932 | 137,631 | 134,062 |
| Dues and fees | 2,038 | 12,789 | 52,982 | 41,692 | 82,018 | 191,519 | 121,849 |
| Occupancy | 16,092 | 13,340 | 10,968 | 29,277 | 22,122 | 91,799 | 90,412 |
| Travel | 25,054 | 87 | 8,881 | 8,232 | 4,143 | 46,397 | 77,465 |
| Meals and entertainment | 866 | 400 | 1,582 | 4,049 | 4,525 | 11,422 | 19,846 |
| Office and miscellaneous | 2,469 | 397 | 2,295 | 11,174 | 3,907 | 20,242 | 19,840 |
| Amortization | 3,040 | 2,344 | 1,848 | 5,367 | 3,746 | 16,345 | 16,901 |
| Insurance | - | - | - | - | 18,205 | 18,205 | 10,471 |
| Repairs and maintenance | - | - | - | - | 1,271 | 1,271 | 2,970 |
| Grants to qualified donees | - | - | - | - | 520 | 520 | 510 |
| Total program expense | \$ 9,319,636 | \$ 275,993 | \$ 336,826 | \$ 1,270,588 | \$ 661,707 | \$ 11,864,750 | \$ 11,356,982 |