

FINANCIAL STATEMENTS OF

**FOOD ALLERGY CANADA /
ALLERGIES ALIMENTAIRES
CANADA**

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Food Allergy Canada / Allergies Alimentaires Canada

Qualified Opinion

We have audited the financial statements of Food Allergy Canada / Allergies Alimentaires Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2021, and the statement of operations, statement of changes in net assets and statement of 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 paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 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 (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization 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 Organization. Therefore, we were not able to determine whether any adjustment might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2021, current assets and net assets as at January 1, 2021 and December 31, 2021.

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 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 ASNPO, 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.

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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 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 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.



Chartered Professional Accountants
Licensed Public Accountants

Courtice, Ontario
April 11, 2022

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA
STATEMENT OF FINANCIAL POSITION
As at December 31, 2021

	2021	2020
	\$	\$
ASSETS		
Current assets		
Cash	783,051	608,702
Short-term investments (Note 3)	1,202,615	990,483
Accounts receivable	86,910	35,299
Harmonized sales tax rebate	25,187	23,685
Prepaid expenses	41,325	43,512
	<u>2,139,088</u>	<u>1,701,681</u>
Other assets		
Tangible capital assets (Note 4)	46,812	61,524
	<u>2,185,900</u>	<u>1,763,205</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	33,068	31,323
Deferred revenue (Note 5)	924,598	813,452
	957,666	844,775
NET ASSETS		
Unrestricted	977,712	653,196
Invested in tangible capital assets	46,812	61,524
Internally restricted (Note 6)	203,710	203,710
	<u>1,228,234</u>	<u>918,430</u>
	<u>2,185,900</u>	<u>1,763,205</u>

Approved on behalf of the board

 Director

Phillip Haid Director

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA

STATEMENT OF OPERATIONS

For the year ended December 31, 2021

	2021	2020
	\$	\$
Revenue		
Support from the public		
Corporate donations	426,495	304,329
Foundation donations	373,808	280,073
Individual giving and events	159,807	610,331
	960,110	1,194,733
Government funding (Note 7)	199,016	-
Other operating revenue	11,083	8,207
Investment income	4,338	14,030
Loss on disposal of tangible capital assets	(1,510)	-
	1,173,037	1,216,970
Expenses		
Programs and Services		
Education & Support	334,399	345,187
Awareness & Stakeholder Engagement	415,522	390,246
Government funding	101,366	-
	851,287	735,433
Research	8,179	40,687
Fundraising	68,339	84,732
Administration (Note 9)	82,506	121,997
	1,010,311	982,849
Other income		
Government assistance (Note 11)	147,078	155,199
Excess of revenues over expenditures	309,804	389,320

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2021

	Unrestricted 2021	Investment in tangible capital assets 2021	Internally Restricted 2021 (Note 6)	December 31 2021	December 31 2020
	\$	\$	\$	\$	\$
Balance, beginning of year	653,196	61,524	203,710	918,430	529,110
Excess (deficiency) of revenues over expenditures	328,071	(18,267)	-	309,804	389,320
Tangible capital assets additions	(5,065)	5,065	-	-	-
Tangible capital assets gain(loss) on disposal	1,510	(1,510)	-	-	-
Balance, end of year	977,712	46,812	203,710	1,228,234	918,430

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

	2021	2020
	\$	\$
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Excess of revenues over expenditures	309,804	389,320
Adjustments for		
Amortization	18,267	18,881
Loss on disposal of tangible capital assets	1,510	-
	<u>329,581</u>	<u>408,201</u>
Change in non-cash working capital items		
Accounts receivable	(51,611)	33,150
Harmonized sales tax rebate	(1,502)	21,325
Prepaid expenses	2,187	9,774
Accounts payable and accrued liabilities	1,745	(1,734)
Deferred revenue	111,146	(261,218)
	<u>391,546</u>	<u>209,498</u>
Investing activities		
Purchase of tangible capital assets	(5,065)	(893)
Purchase of short-term investments	(212,132)	(11,522)
	<u>(217,197)</u>	<u>(12,415)</u>
Increase (decrease) in cash	174,349	197,083
Cash, beginning of year	608,702	411,619
Cash, end of year	<u>783,051</u>	<u>608,702</u>

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

1. NATURE OF OPERATIONS

Food Allergy Canada / Allergies Alimentaires Canada (the "Organization") was incorporated under the Not-for-profit Corporations Act of Ontario on May 14, 1997. The Organization is a national charity and the country's leading patient organization committed to educating, supporting, and advocating for the more than 3 million Canadians impacted by food allergy. The Organization focuses on improving daily quality of life by providing education and support needed to effectively navigate this medical condition, building informed and supportive communities, and acting as the national voice on key patient issues.

It is a charitable organization in accordance with the Income Tax Act and is accordingly exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

(b) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

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

The Organization's financial assets measured at fair value include GICs included in short-term investments. Fair value is determined by using the face amount with accrued interest.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, 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 income.

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(b) *Financial instruments, continued*

The Organization recognizes its transaction costs in net earnings in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(c) *Tangible capital assets*

Tangible capital assets are recorded at cost. The Organization provides for amortization using the following methods at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Computer equipment	Declining balance	20%
Furniture & fixtures	Declining balance	20%
Leasehold improvements	Straight-line	10 years
Website development	Straight-line	3 years
E-learning web portal	Straight-line	3 years

Tangible 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.

(d) *Revenue recognition*

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions include government funding and proceeds from the Sean Delaney Golf Tournament. Corporate donations, foundation donations, individual giving and events, investment income, and other operating revenue include contributions that are both restricted and unrestricted.

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

2. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(e) *Contributed services*

The Organization receives items at no cost from various sources. Donations of these items are not recorded in these financial statements.

Volunteers contribute a substantial number of hours each year to assist the Organization in carrying out its fundraising activities; however, those services cannot be readily valued and are therefore not recognized in the financial statements.

(f) *Government assistance*

The Organization applied for and received several government assistance programs, outlined in Note 11. Funding from this program related to COVID-19, for the periods in which the Organization qualified, is recorded as other income when eligible expenditures are made and there is reasonable assurance of realization. Funding from programs related to the Organization's operational activities is recorded as revenue when eligible expenditures are made and there is reasonable assurance of realization.

(g) *Government funding*

The Organization applied for and received government funding, outlined in Note 7. Funding from these government institutions are related specific projects initiated by the Organization. The Organization's activities is recorded as revenue when eligible expenditures are made and there is reasonable assurance of realization.

(h) *Measurement uncertainty*

The preparation of the financial statements in conformity with Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Estimates are used when accounting for items and matters such as deferred revenue, amortization, asset valuations, provisions and allocation of support expenses. Actual results could differ from these estimates.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Organization's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Organization's operations. The extent of the impact of this outbreak and related containment measures on the Organization's operations cannot be reliably estimated at this time.

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Measurement uncertainty, continued

As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions, and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Organization's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgments, estimates, and assumptions made by management during the preparation of the Organization's financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

The Organization has taken the following actions in response to the pandemic:

- Applying for and receiving the Canada Emergency Wage Subsidy
- Applying for and receiving the 10% Temporary Wage Subsidy
- Applying for and receiving the Canada Emergency Rent Subsidy
- Cancellation of conferences and fundraising events
- Cost cutting measures

3. SHORT-TERM INVESTMENTS

Short-term investments include both cashable and non-redeemable guaranteed investment certificates at interest rates ranging from 0.15% - 0.40% with maturities in Jan - October 2022.

4. TANGIBLE CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	2021 Net Book Value \$	2020 Net Book Value \$
Computer equipment	60,357	46,129	14,228	13,597
Furniture & fixtures	38,238	34,232	4,006	5,007
Leasehold improvements	59,580	32,399	27,181	33,139
Website development	25,150	23,753	1,397	9,781
E-learning web portal	41,470	41,470	-	-
	224,795	177,983	46,812	61,524

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

5. DEFERRED REVENUE

	2021	2020
	\$	\$
Funding received from sources deferred until expended		
Balance, beginning of year	813,452	1,074,670
Funds received	991,410	838,752
Funds earned in year	(880,264)	(1,099,970)
Balance, end of year	924,598	813,452

6. INTERNAL RESTRICTION ON NET ASSETS

The Board of Directors has internally restricted a portion of net assets to cover anticipated future expenses. The balance at December 31, 2021 represents a reserve of \$203,710 (2020 - \$203,710) to ensure that there are funds available to cover fixed operating costs for a period of at least six months in the event that the Organization can no longer operate as a going concern.

7. GOVERNMENT FUNDING

In fiscal 2021, the Organization obtained government funding from National Sciences and Engineering Research Council of Canada as well as Minister of Agriculture and Agri-Food. These funds were granted based on stipulations that the Entity perform specific operational activities.

The funding contract from Minister of Agriculture and Agri-Food specified annual performance goals and spending criteria. The Organization will be subject to an annual review by the Funder based on the Funder's fiscal year. As at December 31, 2021, management and the Board of Directors feel that the Organization has met the specified performance goals and spending criteria for revenue recognized in the 2021 fiscal year.

The Funder can determine if the Organization is required to repay any of the year's funding upon completion of their annual review. No amount is recognized in these statements as repayable and the Organization may be required to repay of portion of the current year's funding after completion of the annual review.

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

7. GOVERNMENT FUNDING, continued

	2021
	\$
National Sciences and Engineering Research Council of Canada	50,000
Minister of Agriculture and Agri-Food	149,016
	199,016

8. ALLOCATION OF EXPENSES

The Organization allocates common expenses consisting of salaries, occupancy costs, and other administrative expenses based on the estimated time spent on each program/service. These allocations are reviewed regularly by management. These common costs are essential for the operations of the various programs and services and have been allocated as follows:

	2021	2020
	\$	\$
Awareness & Stakeholder Engagement	315,577	316,263
Education & Support	232,040	205,622
Fundraising	49,002	48,767
Administration	24,269	62,927
	620,888	633,579

9. ADMINISTRATION

	2021	2020
	\$	\$
Amortization	18,267	18,881
Common expenses allocated to administration	24,269	62,927
Professional fees	15,819	17,700
Other	12,337	10,765
Insurance	11,814	11,724
	82,506	121,997

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2021

10. LEASE COMMITMENTS

The Organization's lease commitment is under a long term lease that expires on August 31, 2026. The lease provides for payment of utilities, property taxes and maintenance costs at an additional cost to the Organization. Future minimum lease payments over the remaining term of the lease are as follows:

	\$
2022	17,900
2023	19,200
2024	19,800
2025	19,800
2026	13,200
	89,900

11. GOVERNMENT ASSISTANCE

In fiscal 2021, the Organization determined that it was eligible for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS").

CEWS is a wage subsidy for eligible employers whose business has been affected by COVID-19, and who have experienced a reduction on revenue during the pandemic. The benefit is calculated as a percentage of eligible wages paid during specified reporting periods. The percentage used in a particular reporting period changes as the government makes ongoing amendments to this program.

CERS is a rent subsidy for eligible employers whose business has been affected by COVID-19, and who have experienced a reduction in revenue during the pandemic. CERS provides a subsidy to qualifying property owners, to cover part of their property expenses, starting on September 27, 2020 until October 2021.

	2021	2020
	\$	\$
Government assistance - CEWS	133,657	139,113
Government assistance - CERS	15,272	4,610
Government assistance (repayment) - TWS	(1,851)	11,476
	147,078	155,199

The accompanying notes are an integral part of these financial statements

FOOD ALLERGY CANADA / ALLERGIES ALIMENTAIRES CANADA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

12. **FINANCIAL INSTRUMENTS**

The Organization is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Organization's exposure to these risks.

(a) *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Organization to credit risk consist principally of cash and short-term investments. As the cash balance and short-term investments are held with a major Canadian financial institution there is a concentration of credit risk with one bank in Canada. The risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The carrying amount of cash and short-term investments included on the statement of financial position represent the maximum credit exposure.

The Organization is exposed to credit risk on accounts receivable primarily from corporate partners. The Organization's accounts receivable risk is considered to be low as receivables are recognized only if it is certain that the monies will be received.

(b) *Market risk*

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. The Organization manages its risk by investing only in low risk guaranteed investment certificates.

(c) *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 guaranteed investment certificates included in short-term investments bear interest at a fixed rate of interest and as such are subject to interest rate price risk. The exposure to this risk fluctuates as the value of the investment changes from year to year.

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant other price risks arising from these financial instruments. These risks have been updated for the impact of COVID-19. Management continues its assessment given the fluidity of COVID-19's global impact.

The accompanying notes are an integral part of these financial statements