

Ottawa Food Bank / la Banque d'alimentation d'Ottawa
Financial Statements
For the Year Ended September 30, 2022

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Tel: 613 237 9331
Fax: 613 237 9779
www.bdo.ca

BDO Canada LLP
180 Kent Street, Suite 1700
Ottawa, ON, K1P 0B6

Independent Auditor's Report

To the Board of Directors of Ottawa Food Bank / la Banque d'alimentation d'Ottawa

Qualified Opinion

We have audited the financial statements of Ottawa Food Bank / la Banque d'alimentation d'Ottawa (the Organization), which comprise the statement of financial position as at September 30, 2022, the statements of operations, changes in net assets 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, 2022, and its financial performance 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 the Organization derives revenues from donations, fundraising activities, the community harvest program, and from food donations in-kind, 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 the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations, community engagement events revenues, food donations in-kind received and distributed, excess of revenue over expenses and cash flows from operations for the years ended September 30, 2022 and 2021, current assets at September 30, 2022 and 2021, and net assets as at October 1, 2021 and 2022, and September 30, 2022 and 2021. The audit opinion on the financial statements for the year ended September 30, 2021 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 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 opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
January 13, 2023

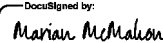
Ottawa Food Bank / la Banque d'alimentation d'Ottawa Statement of Financial Position

September 30	2022	2021
Assets		
Current		
Cash and cash equivalents	\$ 2,409,551	\$ 1,562,465
Investments (Note 2)	18,326,815	16,581,163
Accounts receivable	57,240	80,437
Government receivables	290,164	158,832
Grants receivable	240,000	-
Prepaid expenses	194,150	199,878
	21,517,920	18,582,775
Restricted assets (Note 3)	52,769	52,268
Long-term investments (Note 2)	1,606,046	1,715,995
Tangible capital assets (Note 4)	1,969,026	962,592
	\$ 25,145,761	\$ 21,313,630
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 1,785,245	\$ 876,767
Asset retirement obligation (Note 14)	312,375	200,000
	2,097,620	1,076,767
Deferred contributions (Note 5)	1,850	21,484
Deferred contributions related to tangible capital assets (Note 6)	820,824	288,058
	2,920,294	1,386,309
Contractual obligations (Note 11)		
Net Assets		
Externally restricted (Note 3)	52,769	52,268
Invested in tangible capital assets	835,827	474,534
Internally restricted - Capital fund (Note 10)	5,614,500	5,113,000
Internally restricted - Innovation fund (Note 10)	774,000	774,000
Internally restricted - Operating fund (Note 10)	10,047,492	10,047,492
Unrestricted (Note 10)	4,900,879	3,466,027
	22,225,467	19,927,321
	\$ 25,145,761	\$ 21,313,630

On behalf of the Board:

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 Michaela Tokarski Director

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 Marian McMahon Director

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

Ottawa Food Bank / la Banque d'alimentation d'Ottawa
Statement of Changes in Net Assets

For the year ended September 30	Externally restricted	Invested in tangible capital assets	Internally restricted - Capital fund	Internally restricted - Innovation fund	Internally restricted - Operating fund	Unrestricted	2022	2021
Balance, beginning of the year	\$ 52,268	\$ 474,534	\$ 5,113,000	\$ 774,000	\$10,047,492	\$3,466,027	\$ 19,927,321	\$13,944,847
Excess of revenues over expenses	501	-	-	-	-	2,297,645	2,298,146	5,982,474
Net change in tangible capital assets	-	361,293	-	-	-	(361,293)	-	-
Interfund transfers (Note 10)	-	-	501,500	-	-	(501,500)	-	-
Balance, end of the year	\$ 52,769	\$ 835,827	\$ 5,614,500	\$ 774,000	\$10,047,492	\$ 4,900,879	\$ 22,225,467	\$19,927,321

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

Ottawa Food Bank / la Banque d'alimentation d'Ottawa Statement of Operations

For the year ended September 30	2022	2021
Revenue		
Donations	\$13,769,058	\$ 13,882,049
Food donations in-kind (Note 7)	9,424,131	8,705,336
Community engagement events	1,524,082	1,894,076
Grants	1,188,744	494,705
Corporate donations	677,419	471,393
Municipal government grants	392,032	384,345
Amortization of deferred contributions related to tangible capital assets (Note 6)	125,810	90,400
Investment income	109,764	111,854
Federal government assistance for food banks	-	43,300
	<u>27,211,040</u>	<u>26,077,458</u>
Expenses		
Operations and programs (Note 8)	4,802,801	4,785,725
Food donations in-kind (Note 7)	9,424,131	8,705,336
Food purchases	6,314,782	3,573,116
Development and fundraising (Note 8)	2,275,301	1,972,661
General and administration (Note 8)	1,293,812	1,058,146
	<u>24,110,827</u>	<u>20,094,984</u>
Excess of revenues over expenses before undernoted item	3,100,213	5,982,474
Unrealized loss on investments	802,067	-
Excess of revenues over expenses	<u>\$ 2,298,146</u>	<u>\$ 5,982,474</u>

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

Ottawa Food Bank / la Banque d'alimentation d'Ottawa Statement of Cash Flows

For the year ended September 30	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses	\$ 2,298,146	\$ 5,982,474
Items not affecting cash:		
Amortization of tangible capital assets	460,595	258,216
Loss on disposal of tangible capital assets	-	792
Amortization of deferred contributions related to tangible capital assets	(125,810)	(90,400)
Unrealized gain on investments	-	(3,060)
Accretion expense	3,624	-
	<u>2,636,555</u>	<u>6,148,022</u>
Changes in non-cash working capital:		
Government receivables	(131,332)	14,178
Grants receivable	(240,000)	-
Accounts receivable	23,197	(51,055)
Prepaid expenses	5,727	(11,752)
Accounts payable and accrued liabilities	908,480	350,234
Deferred contributions	(19,634)	(90,516)
	<u>3,182,993</u>	<u>6,359,111</u>
Cash flows from investing activities		
Acquisition of investments	(10,646,700)	(6,111,404)
Increase in restricted assets	(501)	(6,844)
Acquisition of tangible capital assets	(1,358,280)	(259,446)
Proceeds on disposal of investments	9,010,998	-
	<u>(2,994,483)</u>	<u>(6,377,694)</u>
Cash flows from financing activities		
Deferred contributions related to tangible capital assets	<u>658,576</u>	<u>60,000</u>
Net increase in cash and cash equivalents	847,086	41,417
Cash and cash equivalents, beginning of the year	<u>1,562,465</u>	<u>1,521,048</u>
Cash and cash equivalents, end of the year	<u>\$ 2,409,551</u>	<u>\$ 1,562,465</u>
Represented by:		
Cash	\$ 2,262,613	\$ 1,335,415
Gift cards	146,938	227,050
	<u>\$ 2,409,551</u>	<u>\$ 1,562,465</u>

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

Ottawa Food Bank / la Banque d'alimentation d'Ottawa

Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies

Nature and Purpose of Organization	The Ottawa Food Bank / la Banque d'alimentation d'Ottawa (Organization) is a not-for-profit organization incorporated without share capital under the Canada Not-for-profit Corporations Act. The Organization's mission is to work in partnership to create a healthier city by empowering people, increasing access to healthy food, and advocating for systemic changes that reduce food insecurity. The Organization is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
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 reported amounts of revenues and expenses for the year covered. The main estimates relate to the useful lives of tangible capital assets, the asset retirement obligation, value of the food donations in-kind received and distributed and allocation of expenses.
Revenue Recognition	<p>The Organization follows the deferral method of accounting for contributions which includes grants and donations.</p> <p>Restricted contributions are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Contributions for the purchase of tangible capital assets are deferred and amortized to revenue on the same basis as the related tangible capital assets.</p> <p>Community engagement events and corporate donations revenue are recognized as revenue when the event takes place, the amount can be reasonably estimated and the amount is reasonably assured. Amounts received that relate to future years are deferred.</p> <p>Investment income is recognized as revenue when earned and includes interest and realized gains and losses on the investments.</p>

Ottawa Food Bank / la Banque d'alimentation d'Ottawa

Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies (continued)

Financial Instruments	<p><u>Initial and subsequent measurement</u></p> <p>The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all of its financial assets and liabilities at the amortized cost, except for investments that are quoted in an active market, which are measured at fair value.</p> <p><u>Impairment</u></p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income.</p> <p><u>Transaction costs</u></p> <p>Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the year incurred. Transaction costs related to the financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the statement of operations over the life of the instrument using the straight-line method.</p>						
Tangible Capital Assets	<p>Tangible capital assets are stated at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution, unless fair value is not determinable in which case contributed tangible capital assets are recorded at nominal value at the date of contribution.</p> <p>Amortization is provided on the declining balance basis (unless otherwise noted) using the following rates or duration:</p> <table><tr><td>Furniture and equipment</td><td>20%</td></tr><tr><td>Vehicles</td><td>30%</td></tr><tr><td>Leasehold improvements</td><td>straight-line over term of lease</td></tr></table>	Furniture and equipment	20%	Vehicles	30%	Leasehold improvements	straight-line over term of lease
Furniture and equipment	20%						
Vehicles	30%						
Leasehold improvements	straight-line over term of lease						
Impairment of Tangible Capital Assets	<p>When a tangible capital asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.</p>						

Ottawa Food Bank / la Banque d'alimentation d'Ottawa

Notes to Financial Statements

September 30, 2022

1. Significant Accounting Policies (continued)

Contributed Services and in-Kind Materials and Services	<p><u>Contributed Services</u> Volunteers contribute many hours per year to assist the Organization in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p> <p><u>Contributed Food</u> The community contributes food during the year to assist the Organization in carrying out its activities. In-Kind food donations received are recorded based on national standards recommended by Food Banks Canada at \$2.62 until June 2022 and \$3.21 after June 2022 (2021 - \$2.62) per pound, which management believes to be a reasonable reflection of fair value.</p>
Cash and Cash Equivalents	Cash and cash equivalents consist of cash and gift cards purchased and donated.
Food Purchases and Inventory	Food purchases are recorded as an expense at the date of purchase. Food items on hand at year-end are not recorded as inventory as the food is distributed at no charge.
Allocation of Expenses	<p>The Organization allocates some of its its expenses based on the following:</p> <p>Salaries and benefits: prorated based on the number of hours worked for each area.</p> <p>Occupancy costs: prorated to the approximate floor area occupied by each functional area.</p> <p>Other general expenses: based on the level of business activities performed in each area, apart from any directly attributable costs identified by management.</p>
Asset Retirement Obligation	A liability for an asset retirement obligation is recognized in the period in which it is incurred at an amount that is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date. This obligation is subsequently reviewed at each statement of financial position date and adjusted for the passage of time and for any revisions to the timing or amount required to settle the obligation. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related long-lived asset. This cost is amortized on the same basis as the related asset.

Ottawa Food Bank / la Banque d'alimentation d'Ottawa
Notes to Financial Statements

September 30, 2022

2. Investments

The carrying amounts of current investments are comprised of the following:

	<u>2022</u>	<u>2021</u>
Guaranteed Investment Certificates, interest rates from 2.87% to 3.69% (2021 - 0.45% - 2.25%), maturing between October 2022 to December 2022 (2021 - October 2021 to May 2022).	\$ 10,285,571	\$ 8,367,742
Canadian mutual funds	4,965,036	8,200,334
Common shares	3,033,204	-
Foreign securities	41,969	-
Equities	1,035	13,087
	<u>\$ 18,326,815</u>	<u>\$ 16,581,163</u>

The carrying amounts of long-term investments are comprised of the following:

	<u>2022</u>	<u>2021</u>
Guaranteed Investment Certificates, interest rates from 1.34% - 1.95% (2021 - 1.34% - 1.95%), maturing between July 2024 and August 2026 (2021 - October 2021 to May 2022).	\$ 995,328	\$ 979,802
Canadian mutual funds	610,718	-
Principal Protected Notes, variable interest paid upon maturity, maturing between April 2028 and July 2028.	-	736,193
	<u>\$ 1,606,046</u>	<u>\$ 1,715,995</u>

3. External Restrictions on Net Assets

The restricted net assets consist of external contributions that a donor has designated as a permanent restricted asset. The restricted net assets cannot be expended by the Organization without the consent of the donor. The annual income earned on the restricted net assets may be expended by the Organization.

Ottawa Food Bank / la Banque d'alimentation d'Ottawa
Notes to Financial Statements

September 30, 2022

4. Tangible Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 1,570,115	\$ 869,171	\$ 1,403,232	\$ 722,959
Vehicles	374,996	304,782	374,996	274,691
Leasehold improvements	1,694,066	496,198	393,920	211,906
	3,639,177	1,670,151	2,172,148	1,209,556
Net carrying amount		\$ 1,969,026		\$ 962,592

5. Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for operations received in the current year and related to the subsequent year. Changes in the deferred contributions are as follows:

	2022	2021
Balance, beginning of the year	\$ 21,484	\$ 112,000
Add: amounts received related a subsequent year	1,850	21,484
Less: amounts recognized as revenue in the year	(21,484)	(112,000)
Balance, end of the year	\$ 1,850	\$ 21,484

Ottawa Food Bank / la Banque d'alimentation d'Ottawa Notes to Financial Statements

September 30, 2022

6. Deferred Contributions Related to Tangible Capital Assets

Deferred contributions related to tangible capital assets include restricted contributions used to purchase tangible capital assets. The amortization of the deferred contributions is recorded as revenue in the statement of operations.

The changes in the deferred contributions balance reported in the Capital Asset Fund for the period are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 288,058	\$ 318,458
Add: contributions related to tangible capital assets received	658,576	60,000
Less: amortization of deferred contributions related to tangible capital assets	<u>(125,810)</u>	<u>(90,400)</u>
Ending balance	<u>\$ 820,824</u>	<u>\$ 288,058</u>

7. Food Donations In-Kind

The Organization receives food in-kind donations from industries/businesses, charitable partners, the general public and this year, from the provincial government. Management has estimated that the total amount of food in-kind donations is approximately 3.33 million pounds (2021 - 3.32 million pounds).

According to national standards established by Food Banks Canada, the monetary equivalent of one pound of food donations was \$2.62 until June 2022 when it was increased to \$3.21. Management uses this rate as the basis of determining the value of food in-kind donations. These food in-kind donations are reflected in the statement of operations in the year received as a revenue and expense.

Ottawa Food Bank / la Banque d'alimentation d'Ottawa
Notes to Financial Statements

September 30, 2022

8. Expenses

	2022	2021
Operations and programs		
Salaries and benefits	\$ 1,932,141	\$ 1,925,115
Occupancy costs	914,360	525,115
Food delivery costs	297,505	215,698
Innovation and community projects	520,998	1,210,177
Amortization of tangible capital assets	414,535	232,394
Other	397,655	270,416
Unexpected events	325,607	406,810
	\$ 4,802,801	\$ 4,785,725
Development and fundraising		
Fundraising and promotion	\$ 1,735,914	\$ 1,521,713
Salaries and benefits	373,107	357,521
Amortization of tangible capital assets	23,030	12,911
Other	143,250	80,516
	\$ 2,275,301	\$ 1,972,661
General and administration		
Salaries and benefits	\$ 724,553	\$ 467,528
Amortization of tangible capital assets	23,030	12,911
Other	546,229	577,707
	\$ 1,293,812	\$ 1,058,146

Ottawa Food Bank / la Banque d'alimentation d'Ottawa

Notes to Financial Statements

September 30, 2022

9. Financial Instruments

Interest rate risk

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest instruments subject the Organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates.

Other price risk

The Organization is exposed to other price risk through its investments in Canadian mutual funds and equities.

The Organization manages other price risk through asset allocation and maintaining a portfolio that is well diversified on both a geographic and industry sector basis.

There has been an increase in interest rate risk from previous year due to the interest rate hikes announced by the Bank of Canada. There has been no change in the other financial instruments risks from the previous year.

10. Internally Restricted Net Assets

The Organization's Board of Directors approves amounts to be internally restricted for the operating fund, innovation fund and capital fund.

The operating fund was established to mitigate the risk of unexpected contingencies. The target balance is equal to six months of operating costs. During the year, the Board approved a transfer of \$nil (2021 - \$930,670) to the operating fund.

The capital fund was established to fund future replacement of the Organization's tangible capital assets. During the year, the Board approved a transfer of \$501,500 (2021 - \$3,934,650) to the capital fund.

The innovation fund was established to fund strategic initiatives and social innovation projects. During the year, the Board approved a transfer of \$nil (2021 - \$428,000) to the innovation fund.

Net assets invested in tangible capital assets represent the amount the Organization has invested of its own funds in these assets. The amount is calculated as the net carrying amount of the tangible capital assets less amounts financed through deferred contributions related to tangible capital assets and less the asset retirement obligation.

Ottawa Food Bank / la Banque d'alimentation d'Ottawa

Notes to Financial Statements

September 30, 2022

11. Contractual Obligations

The Organization has an operating lease for its premise at \$64,028 per month, expiring in January 2033. In addition, the Organization has a vehicle lease at \$5,910 per month expiring in September 2023. Lastly, the Organization has a equipment lease of \$466 per month which is expected to be engaged indefinitely. Future minimum commitments total \$8,840,114 and include the following payments over next five years:

2023	\$	854,793
2024		774,654
2025		806,492
2026		822,411
2027		822,411
		<hr/>
	\$	<u>4,080,761</u>

12. Uncertainty due to External Environment

The Canadian economic recovery has been slow, and inflation has caused a significant and widespread impact on the cost of living. The continued uncertainty of the long-term effects of the COVID-19 pandemic will impact the Organization in two equally important ways: the number of visits to food banks within the Organization's network may continue to increase and be sustained over years; and community support may begin to lessen as inflation and some return to normalcy affects disposable income.

There is uncertainty about how long the inflationary effects will last and the overall impact it will have on the community and the Organization. The Organization and its network are impacted by the rising cost of food in two ways: the budget for internal food purchases continues to rise; and the impact on individual food costs, which results in a rise in the number of people accessing food banks. The excess of revenue over expenses for the 2021-2022 fiscal year will help the Organization continue to serve the community and make up for revenue shortfalls that are planned in the 2022-2023 fiscal year.

A significant amount of the reserve remains internally restricted to the capital fund as the Organization will be moving to its new location in early 2023, with much of the retrofit expenses billed in the 2022-2023 fiscal year. The Organization's internally restricted net assets will help ensure that the Organization is in a financial position to address predicted and unpredicted needs of the member agencies and their clients.

Ottawa Food Bank / la Banque d'alimentation d'Ottawa
Notes to Financial Statements

September 30, 2022

13. Statement of Cash Flows

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following summarizes significant non-cash transactions during the year:

	<u>2022</u>	<u>2021</u>
Acquisition of tangible capital assets	\$ (112,375)	\$ (200,000)
Increase in asset retirement obligation	\$ 112,375	\$ 200,000

14. Asset Retirement Obligation

The asset retirement obligation is an obligation associated to the current and new office premises, where the Organization is responsible for restoring the lease premises to base building standards at the end of the lease term. As at year end, an obligation of \$ 312,375 (2021 - \$200,000) has been accrued on the statement of financial position based on management's best estimate. However, the total amount of the obligation may subject to change due to change in costs. The magnitude of the potential change remain unknown until the restoration takes place.

During the year, no payment was made to settle the asset retirement obligation on the current and the new lease because it is expected to settle in March 2023 and January 2033, respectively.