

**THE FOOD BANK
OF WATERLOO REGION**
FINANCIAL STATEMENTS
JUNE 30, 2012

INDEPENDENT AUDITOR'S REPORT

To the Directors of Food Bank of Waterloo Region

Report on the Financial Statements

I have audited the accompanying financial statements of Food Bank of Waterloo Region which comprise the statement of financial position as at June 30, 2012, and the statement of operations, the statement of changes in net assets, and the statement of cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis of Qualified Opinion

In common with many charitable organizations, Food Bank of Waterloo Region derives a portion of its revenues from the general public in the form of donations and fundraising events the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of revenues from these sources was limited to accounting for the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenues, net income, assets or net assets.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Food Bank of Waterloo Region as at June 30, 2012 and its results of operations, changes in net assets and cash flows for the year then ended in accordance with Accounting Standards for Not-for-profit Organizations.



Professional Corporation

Kitchener, ON

August 20, 2012

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT		
Cash - unrestricted	905,603	684,146
Cash - donor designated for capital maintenance	50,781	50,781
Cash - designated and restricted for food purchases	201,776	202,699
Cash - restricted for Special Projects	41,829	100,000
Investments - Capital Maintenance Reserve (note 2)	800,000	650,000
Investments - unrestricted (note 2)	116,597	255,569
Funding and HST receivable	43,581	56,742
Prepaid expenses	8,032	8,622
	<hr/> 2,168,199	<hr/> 2,008,559
PROPERTY AND EQUIPMENT (note 3)	1,641,496	1,780,916
	<hr/> \$3,809,695	<hr/> \$3,789,475
LIABILITIES		
CURRENT		
Accounts payable	75,672	181,557
Deferred income - general operations (note 4)	16,605	18,395
Deferred income - food purchases (note 4)	106,776	107,699
	<hr/> 199,053	<hr/> 307,651
DEFERRED INCOME		
Deferred income - capital maintenance (note 4)	118,281	140,781
	<hr/> 118,281	<hr/> 140,781
NET ASSETS		
Internally restricted net assets (note 1)		
Capital Maintenance Reserve	800,000	650,000
Food Purchases Reserve	95,000	95,000
Special Projects Reserve	41,829	100,000
Unrestricted net assets	2,555,532	2,496,043
	<hr/> 3,492,361	<hr/> 3,341,043
	<hr/> \$3,809,695	<hr/> \$3,789,475

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2012</u>					<u>2011</u>
	<u>Internally Restricted</u>			<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
	<u>Capital</u>	<u>Food</u>	<u>Special</u>			
	<u>Maintenance</u>	<u>Purchases</u>	<u>Projects</u>			
	<u>Reserve</u>	<u>Reserve</u>	<u>Reserve</u>			
OPENING BALANCE	650,000	95,000	100,000	2,496,043	3,341,043	3,095,972
Revenues	0	0	0	1,823,536	1,823,536	1,688,643
Expenditures	0	0	(58,171)	(1,614,047)	(1,672,218)	(1,443,572)
Excess (deficit)	0	0	(58,171)	209,489	151,318	245,071
Restrictions	150,000	0	0	(150,000)	0	0
CLOSING BALANCE	800,000	95,000	41,829	2,555,532	3,492,361	3,341,043

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
REVENUES		
Donations and fundraising	1,539,836	1,403,398
Member fees	67,923	65,890
United Way	20,000	20,000
Grants	30,811	23,344
Food Bank Distribution Services (note 1)	134,173	154,196
Sales tax rebates, interest and other income	30,793	21,815
	<hr/> 1,823,536	<hr/> 1,688,643
EXPENDITURES		
Personnel	801,158	702,373
Administration	145,927	97,731
Fundraising / Food Drive	91,080	94,853
Food	113,118	75,045
Facilities	139,504	117,469
Staff and agency development	36,966	23,130
Transportation	61,094	60,809
Food Bank Distribution Services (note 5)	135,529	141,447
Amortization of capital assets	147,842	130,715
	<hr/> 1,672,218	<hr/> 1,443,572
EXCESS OF REVENUES OVER EXPENDITURES	151,318	245,071
NET ASSETS - opening	3,341,043	3,095,972
NET ASSETS - closing	<hr/> \$3,492,361	<hr/> \$3,341,043

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

Funds provided by (used in):

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	151,318	245,071
Items not affecting cash flow		
Amortization of property and equipment	147,842	130,715
	<hr/> 299,160	<hr/> 375,786
Change in:		
Investments	(11,028)	(13,434)
Funding and GST receivable	13,161	(38,242)
Prepaid expenses	590	(327)
Accounts payable	(105,885)	83,593
Deferred income - general operations (note 4)	(1,790)	375
Deferred income - food purchases (note 4)	(923)	(2,304)
	<hr/> 193,285	<hr/> 405,447
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	5,477	0
Purchases of property and equipment	(13,899)	(219,175)
	<hr/> (8,422)	<hr/> (219,175)
FINANCING ACTIVITIES		
Deferred income - capital maintenance (note 4)	(22,500)	90,000
	<hr/>	<hr/>
NET CASH FLOWS FOR THE YEAR	162,363	276,272
CASH - opening	1,037,626	761,354
CASH - closing	<hr/> \$1,199,989	<hr/> \$1,037,626
REPRESENTED BY:		
Cash - unrestricted	905,603	684,146
Cash - donor designated for capital maintenance	50,781	50,781
Cash - designated and restricted for food purchases	201,776	202,699
Cash - restricted for Special Projects	41,829	100,000
	<hr/> \$1,199,989	<hr/> \$1,037,626

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

NATURE OF ORGANIZATION

The Food Bank of Waterloo Region is a registered charity which collects food from the general public and the local food industry for redistribution to member agencies, who in turn provide the food to the less fortunate. The Food Bank of Waterloo Region is incorporated without share capital, and as a registered charity, does not pay income tax.

The Food Bank Distribution Services program secures food donations from the food industry throughout Southwestern Ontario and is funded by participating food banks and designated contributions.

BASIS OF PRESENTATION

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

1. ACCOUNTING POLICIES

Revenue recognition

The Food Bank of Waterloo Region uses the deferral method for recognizing revenues, whereby, provided collection is reasonably assured, externally restricted contributions received or receivable are reflected as deferred income and only recognized as revenue when the related expenses have been incurred.

As the fair value of donated food and services cannot be reasonably estimated, such contributions are not reflected in these financial statements.

Property and equipment

Property and equipment are reflected at cost and amortized using the declining balance method at the following at the following annual rates:

Equipment	25%
Vehicles	25%
Building	4%
Freezer	20%

Restricted Net Assets

In addition to externally restricted 'designated' contributions, the Board has internally restricted certain cash and investments for specific purposes. The amount noted as 'capital maintenance reserve' has been set aside by the Board for future capital purchases, such as vehicles or other equipment needed to carry out the organization's programs. The amount noted as 'Food Purchases Reserve' has been set aside by the Board to fund future food purchases when inventories of certain foods become insufficient to meet demand. The amount noted as 'Special Projects Reserve' has been set aside by the Board to support the cost of hiring a Project Manager to oversee the sourcing and development of an inventory system and to fund the development of new community engagement programs.

Allocation of expenses to programs - Food Bank Distribution Services

The Food Bank of Waterloo Region allocates certain direct and administrative expenses to Food Bank Distribution Services. Staff salaries are allocated based on an estimate of time invested by staff in the program. Two-thirds of the vehicle expenses for vehicles used in the program and 10% of the overall administrative and building expenses are also allocated as an estimate of the program's utilization of these costs.

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

1. ACCOUNTING POLICIES (continued)

Financial Instruments

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument for another. The organization initially measures its financial assets and liabilities at fair value, except for non-arms-length transactions, if any, which are measured at amortized cost or face value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments with quoted fair values in active markets, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets are tested for impairment when there are indicators of impairment, and any write-down is recognized on the statement of operations. Any previously recognized impairment losses may be reversed and reflected as income to the extent of improvement, provided they are no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The organization recognizes its transaction costs in net income 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. Unless indicated otherwise in these financial statements, as in the prior year, management believes the organization does not face any significant credit, currency, interest rate, liquidity or market risk with respect to any of its financial instruments.

2. FINANCIAL INSTRUMENTS

	<u>Restricted</u>	<u>Unrestricted</u>	<u>2012</u>	<u>2011</u>
Financial assets reflected at fair market value				
Savings account mutual funds	800,000	116,597	916,597	905,569
Financial assets reflected at amortized cost				
Other financial assets	294,386	949,184	1,243,570	1,037,626
	<u>\$1,094,386</u>	<u>\$1,065,781</u>	<u>\$2,160,167</u>	<u>\$1,943,195</u>

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2012</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2011</u> <u>Net Book</u> <u>Value</u>
Equipment	324,073	265,448	58,625	61,951
Vehicles	490,233	240,793	249,440	339,889
Building	1,471,764	462,745	1,009,019	1,051,061
Freezer	150,000	135,588	14,412	18,015
Land	310,000	0	310,000	310,000
	<u>\$2,746,070</u>	<u>\$1,104,574</u>	<u>\$1,641,496</u>	<u>\$1,780,916</u>

4. DEFERRED INCOME

	<u>General</u> <u>Operations</u>	<u>Food</u> <u>Purchases</u>	<u>Capital</u> <u>Maintenance</u>
Opening balance	18,395	107,699	140,781
Designated contributions received	29,021	112,195	0
Recognized in operations	(30,811)	(113,118)	(22,500)
Closing balance	<u>\$16,605</u>	<u>\$106,776</u>	<u>\$118,281</u>