

**THE FOOD BANK
OF WATERLOO REGION**
FINANCIAL STATEMENTS
JUNE 30, 2013



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, 2013, 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 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.

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, 2013 and its results of operations, changes in net assets and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Professional Corporation

Authorized to practise public accounting by the Institute of Chartered Accountants of Ontario

Kitchener, ON

September 19, 2013

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2013

(with comparative figures as at June 30, 2012)

(the accompanying notes are an integral part of these financial statements)

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT		
Cash - unrestricted	302,548	905,603
Cash - donor designated for capital maintenance	0	50,781
Cash - designated and restricted for food purchases	171,512	201,776
Cash - restricted for Special Projects	0	41,829
Investments - Capital Maintenance Reserve (note 2)	566,942	800,000
Investments - unrestricted (note 2)	384,746	116,597
Funding and HST receivable	63,138	43,581
Prepaid expenses	10,032	8,032
	<hr/> 1,498,918	<hr/> 2,168,199
LONG-TERM		
Investments - unrestricted (note 2)	458,544	0
Property and equipment (note 3)	1,774,903	1,641,496
	<hr/> 2,233,447	<hr/> 1,641,496
	<hr/> \$3,732,365	<hr/> \$3,809,695
LIABILITIES		
CURRENT		
Accounts payable	60,507	75,672
Deferred income - general operations (note 4)	2,962	16,605
Deferred income - food purchases (note 4)	76,512	106,776
	<hr/> 139,981	<hr/> 199,053
DEFERRED INCOME		
Deferred income - capital maintenance (note 4)	96,328	118,281
NET ASSETS		
Internally restricted net assets (note 1)		
Capital Maintenance Reserve	566,942	800,000
Food Purchases Reserve	95,000	95,000
Special Projects Reserve	0	41,829
Unrestricted net assets	2,834,114	2,555,532
	<hr/> 3,496,056	<hr/> 3,492,361
	<hr/> \$3,732,365	<hr/> \$3,809,695

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2013

(with comparative figures for the year ended June 30, 2012)

(the accompanying notes are an integral part of these financial statements)

	<u>2013</u>			<u>2012</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	800,000	95,000	41,829	2,555,532	3,492,361	3,341,043
Revenues	0	0	0	1,640,036	1,640,036	1,823,536
Expenditures	0	0	(41,829)	(1,594,512)	(1,636,341)	(1,672,218)
Excess (deficit)	0	0	(41,829)	45,524	3,695	151,318
Capital purchases - freezer	(233,058)	0	0	233,058	0	0
CLOSING BALANCE	566,942	95,000	0	2,834,114	3,496,056	3,492,361

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2013

(with comparative figures for the year ended June 30, 2012)

(the accompanying notes are an integral part of these financial statements)

	<u>2013</u>	<u>2012</u>
REVENUES		
Donations and fundraising	1,408,877	1,539,836
Member fees	36,493	67,923
United Way	20,000	20,000
Grants	37,947	30,811
Food Bank Distribution Services (note 1)	131,959	134,173
Sales tax rebates, interest and other income	4,760	30,793
	<hr/> 1,640,036	<hr/> 1,823,536
EXPENDITURES		
Personnel	864,098	801,158
Administration	163,628	145,927
Fundraising / Food Drive	89,851	91,080
Food	36,267	113,118
Facilities	104,352	139,504
Professional development and agency relations	28,353	36,966
Transportation	56,471	61,094
Food Bank Distribution Services (note 1)	142,889	135,529
Amortization of property and equipment	150,432	147,842
	<hr/> 1,636,341	<hr/> 1,672,218
EXCESS OF REVENUES OVER EXPENDITURES	3,695	151,318
NET ASSETS - opening	3,492,361	3,341,043
NET ASSETS - closing	<hr/> \$3,496,056	<hr/> \$3,492,361

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

(with comparative figures for the year ended June 30, 2012)

(the accompanying notes are an integral part of these financial statements)

Funds provided by (used in):

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	3,695	151,318
Items not affecting cash flow		
Amortization of property and equipment	150,432	147,842
Deferred capital donations recognized	(21,953)	(22,500)
	132,174	276,660
Change in:		
Current investments	(35,091)	(11,028)
Funding and GST receivable	(19,557)	13,161
Prepaid expenses	(2,000)	590
Accounts payable	(15,165)	(105,885)
Deferred income - general operations (note 4)	(13,643)	(1,790)
Deferred income - food purchases (note 4)	(30,264)	(923)
	16,454	170,785
INVESTING ACTIVITIES		
Long-term investments purchased	(458,544)	0
Proceeds from sale of property and equipment	0	5,477
Purchases of property and equipment	(283,839)	(13,899)
	(742,383)	(8,422)
FINANCING ACTIVITIES	0	0
NET CASH FLOWS FOR THE YEAR	(725,929)	162,363
CASH - opening	1,199,989	1,037,626
CASH - closing	\$474,060	\$1,199,989
REPRESENTED BY:		
Cash - unrestricted	302,548	905,603
Cash - donor designated for capital maintenance	0	50,781
Cash - designated and restricted for food purchases	171,512	201,776
Cash - restricted for Special Projects	0	41,829
	\$474,060	\$1,199,989

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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. Total administrative expenses charged to the program were \$6,883 in the current year, \$6,445 in the prior year.

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

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. 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>2013</u>	<u>2012</u>
Financial assets reflected at fair market value				
Preferred shares and mutual funds	566,942	321,933	888,875	916,597
Financial assets reflected at amortized cost:				
Cash investment account	0	11,217	11,217	0
Current term deposits:				
3.25% due June 2014	0	51,596	51,596	0
	0	62,813	62,813	0
Total current investments	566,942	384,746	951,688	916,597
Long-term term deposits:				
3.147% due February 2015	0	154,623	154,623	0
3.049% due January 2017	0	155,249	155,249	0
2.370 % due January 2018	0	148,672	148,672	0
Total long-term investments	0	458,544	458,544	0
Other financial assets	171,512	365,686	537,198	1,243,570
	\$738,454	\$750,432	\$1,488,886	\$2,160,167

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2013</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2012</u> <u>Net Book</u> <u>Value</u>
Equipment	395,616	289,047	106,569	58,625
Vehicles	490,233	303,153	187,080	249,440
Building	1,471,764	503,106	968,658	1,009,019
Freezer	362,296	159,700	202,596	14,412
Land	310,000	0	310,000	310,000
	\$3,029,909	\$1,255,006	\$1,774,903	\$1,641,496

4. DEFERRED INCOME

	<u>General</u> <u>Operations</u>	<u>Food</u> <u>Purchases</u>	<u>Capital</u> <u>Maintenance</u>
Opening balance	16,605	106,776	118,281
Designated contributions received	24,304	6,003	0
Recognized in operations	(37,947)	(36,267)	(21,953)
Closing balance	\$2,962	\$76,512	\$96,328