

**THE FOOD BANK
OF WATERLOO REGION**
FINANCIAL STATEMENTS
JUNE 30, 2015



INDEPENDENT AUDITORS' REPORT

To the Directors of the Food Bank of Waterloo Region

Report on the Financial Statements

We have audited the accompanying financial statements of the Food Bank of Waterloo Region which comprise the statement of financial position as at June 30, 2015, and the statement of changes in net assets, the statement of operations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 auditors' 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis of Qualified Opinion

In common with many charitable organizations, the 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, our verification of revenues from these sources was limited to accounting for the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues, net income, assets or net assets.

Qualified Opinion

In our 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 the Food Bank of Waterloo Region as at June 30, 2015 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.

A handwritten signature in black ink, appearing to read 'Candy Winters & Simon LLP'.

Chartered Professional Accountants
Licensed Public Accountants
Kitchener, ON
August 20, 2015

Cardy Winters & Simon LLP

Chartered Professional Accountants

**Suite 103 - 630 Riverbend Drive, Kitchener, ON N2K 3S2
Tel (519) 744-4030 Fax (519) 579-7576 www.cwscpa.ca**

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2015

(with comparative figures as at June 30, 2014)

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

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT		
Cash - unrestricted	263,605	193,386
Cash - restricted for food purchases	172,667	168,803
Investments - Capital Maintenance Reserve (note 2)	495,161	453,161
Investments - unrestricted (note 2)	1,083,716	1,068,289
Funding and HST receivable	63,228	51,469
Prepaid expenses	8,229	8,224
	<hr/> 2,086,606	<hr/> 1,943,332
LONG-TERM		
Property and equipment (note 3)	1,677,174	1,721,783
	<hr/> \$3,763,780	<hr/> \$3,665,115
LIABILITIES		
CURRENT		
Accounts payable	53,308	35,234
Deferred income - general operations (note 4)	18,483	19,238
Deferred income - food purchases (note 4)	77,667	73,803
	<hr/> 149,458	<hr/> 128,275
DEFERRED INCOME		
Deferred income - capital maintenance (note 4)	57,726	74,530
NET ASSETS		
Internally restricted net assets (note 1)		
Capital Maintenance Reserve	495,161	453,161
Food Purchases Reserve	95,000	95,000
Unrestricted net assets	2,966,435	2,914,149
	<hr/> 3,556,596	<hr/> 3,462,310
	<hr/> \$3,763,780	<hr/> \$3,665,115

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2015

(with comparative figures for the year ended June 30, 2014)

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

	<u>2015</u>			<u>2014</u>	
	<u>Internally Restricted Capital Maintenance Reserve</u>	<u>Food Purchases Reserve</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
OPENING BALANCE	453,161	95,000	2,914,149	3,462,310	3,496,056
Revenues	0	0	1,848,268	1,848,268	1,783,956
Expenditures	0	0	(1,753,982)	(1,753,982)	(1,817,702)
Excess (deficit)	0	0	94,286	94,286	(33,746)
Transfer - capital purchases	(108,000)	0	108,000	0	0
Transfer - fund replenishment	150,000	0	(150,000)	0	0
	42,000	0	(42,000)	0	0
CLOSING BALANCE	\$495,161	\$95,000	\$2,966,435	\$3,556,596	\$3,462,310

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2015

(with comparative figures for the year ended June 30, 2014)

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

	<u>2015</u>	<u>2014</u>
REVENUES		
Donations and fundraising	1,603,858	1,407,808
Member fees	39,444	38,884
United Way	32,200	23,050
Grants	24,047	55,047
Food Bank Distribution Services (note 1)	127,790	134,130
Investment and other income	20,929	125,037
	<hr/> 1,848,268	<hr/> 1,783,956
EXPENDITURES		
Personnel	1,020,259	1,074,509
Administration	130,448	132,462
Fundraising / Food Drive	89,063	68,165
Food	2,641	10,209
Facilities	146,115	120,705
Professional development and agency relations	21,376	23,487
Transportation	59,823	59,667
Food Bank Distribution Services (note 1)	119,705	161,598
Amortization of property and equipment	164,552	166,900
	<hr/> 1,753,982	<hr/> 1,817,702
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	94,286	(33,746)
NET ASSETS - opening	3,462,310	3,496,056
NET ASSETS - closing	<hr/> \$3,556,596	<hr/> \$3,462,310

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

(with comparative figures for the year ended June 30, 2014)

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

Funds provided by (used in):

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	94,286	(33,746)
Items not affecting cash flow:		
Amortization of property and equipment	164,552	166,900
Deferred capital donations recognized	(16,804)	(21,798)
	<hr/> 242,034	<hr/> 111,356
Change in:		
Investments	(57,427)	(111,218)
Funding and GST receivable	(11,759)	11,669
Prepaid expenses	(5)	1,808
Accounts payable	18,074	(25,273)
Deferred income - general operations (note 4)	(755)	16,276
Deferred income - food purchases (note 4)	3,864	(2,709)
	<hr/> 194,026	<hr/> 1,909
INVESTING ACTIVITIES		
Purchases of property and equipment	(119,943)	(113,780)
	<hr/>	<hr/>
FINANCING ACTIVITIES	0	0
	<hr/>	<hr/>
NET CASH FLOWS FOR THE YEAR	74,083	(111,871)
CASH - opening	362,189	474,060
	<hr/>	<hr/>
CASH - closing	\$436,272	\$362,189
	<hr/>	<hr/>
REPRESENTED BY:		
Cash - unrestricted	263,605	193,386
Cash - restricted for food purchases	172,667	168,803
	<hr/>	<hr/>
	\$436,272	\$362,189
	<hr/>	<hr/>

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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 charity registered under the Income Tax Act of Canada, 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 in the current year were \$9,234.

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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 or liquidity with respect to any of its financial instruments.

As in the prior year, management believes the organization does face some market, currency and interest rate risk with respect to its investments in that significant changes in the equity markets, currency exchange rates or interest rates could impact the fair value of investments held.

2. FINANCIAL INSTRUMENTS

	<u>2015</u>			<u>2014</u>
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	
Financial assets reflected at fair (market) value:				
Preferred shares and mutual funds	495,161	95,767	590,928	527,886
Financial assets reflected at amortized cost:				
Cash, money market funds and term deposits bearing 2.3% to 4.2% interest, due 2016 through 2020	0	987,949	987,949	993,564
Total investments	495,161	1,083,716	1,578,877	1,521,450
Other financial assets	95,000	404,500	499,500	413,658
	\$590,161	\$1,488,216	\$2,078,377	\$1,935,108

3. PROPERTY AND EQUIPMENT

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment	568,709	368,934	199,775	126,434
Vehicles	523,441	378,419	145,022	193,361
Building	1,471,764	579,048	892,716	929,912
Freezer	362,296	232,635	129,661	162,076
Land	310,000	0	310,000	310,000
	\$3,236,210	\$1,559,036	\$1,677,174	\$1,721,783

4. DEFERRED INCOME

	<u>General Operations</u>	<u>Food Purchases</u>	<u>Capital Maintenance</u>
Opening balance	19,238	73,803	74,530
Designated contributions received	23,292	13,010	0
Recognized in operations	(24,047)	(9,146)	(16,804)
Closing balance	\$18,483	\$77,667	\$57,726