

**THE FOOD BANK
OF WATERLOO REGION**
FINANCIAL STATEMENTS
JUNE 30, 2016



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, 2016, 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, fundraising events and donations of food, 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, 2016 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'.

Chartered Professional Accountants
Licensed Public Accountants
Kitchener, ON
August 31, 2016

***Cardy Winters & Simon* LLP**
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THE FOOD BANK OF WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2016

(with comparative figures as at June 30, 2015)

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

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash - unrestricted	338,362	263,605
Cash - restricted for food purchases	141,153	172,667
Investments - Capital Maintenance Reserve (note 2)	495,161	495,161
Investments - unrestricted (note 2)	1,082,952	1,083,716
Funding and HST receivable	66,633	63,228
Prepaid expenses	7,759	8,229
	<hr/> 2,132,020	<hr/> 2,086,606
LONG-TERM		
Property and equipment (note 3)	1,547,017	1,677,174
	<hr/> \$3,679,037	<hr/> \$3,763,780
LIABILITIES		
CURRENT		
Accounts payable	60,932	53,308
Deferred income - general operations (note 4)	44,083	18,483
Deferred income - food purchases (note 4)	46,153	77,667
	<hr/> 151,168	<hr/> 149,458
DEFERRED INCOME		
Deferred income - capital maintenance (note 4)	44,757	57,726
NET ASSETS		
Internally restricted net assets (note 1)		
Capital Maintenance Reserve	495,161	495,161
Food Purchases Reserve	95,000	95,000
Unrestricted net assets	2,892,951	2,966,435
	<hr/> 3,483,112	<hr/> 3,556,596
	<hr/> \$3,679,037	<hr/> \$3,763,780

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

(with comparative figures for the year ended June 30, 2015)

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

	<u>2016</u>			<u>2015</u>	
	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>	
	<u>Capital</u>	<u>Food</u>			
	<u>Maintenance</u>	<u>Purchases</u>			
	<u>Reserve</u>	<u>Reserve</u>			
OPENING BALANCE	495,161	95,000	2,966,435	3,556,596	3,462,310
Revenues (note 1)	0	0	16,335,121	16,335,121	1,848,268
Expenditures (note 1)	0	0	(16,408,605)	(16,408,605)	(1,753,982)
Excess (deficit)	0	0	(73,484)	(73,484)	94,286
CLOSING BALANCE	\$495,161	\$95,000	\$2,892,951	\$3,483,112	\$3,556,596

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2016

(with comparative figures for the year ended June 30, 2015)

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

	<u>2016</u>	<u>2015</u>
REVENUES		
Donations and fundraising	1,916,139	1,603,858
Member fees	40,734	39,444
United Way	32,200	32,200
Grants	24,047	24,047
Food Bank Distribution Services (note 1)	129,058	127,790
Investment and other income	2,929	20,929
	<hr/> 2,145,107	<hr/> 1,848,268
Donations of food (note 1)	14,190,014	-
	<hr/> 16,335,121	<hr/> 1,848,268
EXPENDITURES		
Personnel	1,168,557	1,020,259
Administration	165,309	130,448
Fundraising / Food Drive	151,433	89,063
Food - purchased	67,754	2,641
Facilities	292,221	146,115
Professional development and agency relations	25,446	21,376
Transportation	66,570	59,823
Food Bank Distribution Services (note 1)	130,936	119,705
Amortization of property and equipment	150,365	164,552
	<hr/> 2,218,591	<hr/> 1,753,982
Donations of food (note 1)	14,190,014	-
	<hr/> 16,408,605	<hr/> 1,753,982
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(73,484)	94,286
NET ASSETS - opening	3,556,596	3,462,310
NET ASSETS - closing	<hr/> \$3,483,112	<hr/> \$3,556,596

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

(with comparative figures for the year ended June 30, 2015)

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

Funds provided by (used in):

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	(73,484)	94,286
Items not affecting cash flow:		
Amortization of property and equipment	150,365	164,552
Deferred capital donations recognized	(12,969)	(16,804)
	<hr/> 63,912	<hr/> 242,034
Change in:		
Investments	764	(57,427)
Funding and GST receivable	(3,405)	(11,759)
Prepaid expenses	470	(5)
Accounts payable	7,624	18,074
Deferred income - general operations (note 4)	25,600	(755)
Deferred income - food purchases (note 4)	(31,514)	3,864
	<hr/> 63,451	<hr/> 194,026
INVESTING ACTIVITIES		
Purchases of property and equipment	(20,208)	(119,943)
FINANCING ACTIVITIES	<hr/> 0	<hr/> 0
NET CASH FLOWS FOR THE YEAR	43,243	74,083
CASH - opening	<hr/> 436,272	<hr/> 362,189
CASH - closing	<hr/> \$479,515	<hr/> \$436,272
REPRESENTED BY:		
Cash - unrestricted	338,362	263,605
Cash - restricted for food purchases	141,153	172,667
	<hr/> \$479,515	<hr/> \$436,272

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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. Unrestricted donations of cash and gifts-in-kind are reflected when received, provided amounts are reasonably estimable and collection reasonably assured.

In the current year, to provide more relevant and reliable information for readers of these financial statements, in compliance with Canadian Accounting Standards for Not-for-profit Organizations S.4410 - Contributions - Revenue Recognition, the Food Bank of Waterloo Region adopted a policy for recognizing the dollar value of donations of food from industry, businesses and the general public. Donations of food received in the current year totalled 5,676,006 pounds. These donations of food have been valued, based on national standards recommended by Food Banks of Canada, at \$2.50 per pound, which management believes to be a reasonable reflection of fair value. This dollar value of food donated has been reflected as both a revenue and an expense, as Food - purchased and food donations, on the Statement of Operations. Due to a change in the system for tracking donations of food, it was not practical to calculate the dollar value of food donated in the previous fiscal year, and therefore, this change in accounting policy has not been applied retroactively. As food donation revenues are matched with an identical expense annually, the application of this policy had no impact on the carrying value of comparative assets or liabilities.

Food purchases and inventory

Food purchases are recorded as an expense at the date of purchase. As it is not practical to determine the fair value of food items on hand at year-end, they are not reflected as inventory.

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%

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

1. ACCOUNTING POLICIES (continued)

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 \$9,378.

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.

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. As in the prior year, management does not believe the organization faces any significant credit or liquidity risk.

2. FINANCIAL INSTRUMENTS

	<u>Restricted</u>	<u>2016</u> <u>Unrestricted</u>	<u>Total</u>	<u>2015</u>
Financial assets reflected at fair (market) value:				
Preferred shares and mutual funds	495,161	48,371	543,532	590,928
Financial assets reflected at amortized cost:				
Cash, money market funds and term deposits bearing 2.3% to 4.2% interest, due 2017 through 2022	0	1,034,581	1,034,581	987,949
Total investments	495,161	1,082,952	1,578,113	1,578,877
Other financial assets	95,000	392,542	487,542	453,671
	\$590,161	\$1,475,494	\$2,065,655	\$2,032,548

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2016</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2015</u> <u>Net Book</u> <u>Value</u>
Equipment	588,918	421,404	167,514	199,775
Vehicles	523,441	414,674	108,767	145,022
Freezer	362,296	258,567	103,729	129,661
Real estate - building	1,471,764	614,757	857,007	892,716
Real estate - land	310,000	0	310,000	310,000
	<u>\$3,256,419</u>	<u>\$1,709,402</u>	<u>\$1,547,017</u>	<u>\$1,677,174</u>

4. DEFERRED INCOME

	<u>General</u> <u>Operations</u>	<u>Food</u> <u>Purchases</u>	<u>Capital</u> <u>Maintenance</u>
Opening balance	18,483	77,667	57,726
Designated contributions received	49,647	47,904	0
Recognized in operations	(24,047)	(79,418)	(12,969)
Closing balance	<u>\$44,083</u>	<u>\$46,153</u>	<u>\$44,757</u>