

**THE FOOD BANK
OF WATERLOO REGION**
FINANCIAL STATEMENTS
JUNE 30, 2017



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, 2017, 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. In addition, the Food Bank of Waterloo Region derives a portion of its revenues from donations of food, the completeness and accuracy 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, 2017 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.

Cardy Winters & Simon LLP

Chartered Professional Accountants
Licensed Public Accountants
Kitchener, ON
August 21, 2017

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THE FOOD BANK OF WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2017

(with comparative figures as at June 30, 2016)

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

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT		
Cash - unrestricted	676,793	338,362
Cash - restricted for food purchases	413,010	141,153
Investments - Capital Maintenance Reserve (note 2)	495,161	495,161
Investments - unrestricted (note 2)	1,158,345	1,082,952
Funding and HST receivable	41,509	66,633
Prepaid expenses	50,497	7,759
	<hr/> 2,835,315	<hr/> 2,132,020
LONG-TERM		
Property and equipment (note 3)	1,448,173	1,547,017
	<hr/> \$4,283,488	<hr/> \$3,679,037
LIABILITIES		
CURRENT		
Accounts payable	93,716	60,932
Deferred income - general operations (note 4)	132,409	44,083
Deferred income - food purchases (note 4)	318,010	46,153
	<hr/> 544,135	<hr/> 151,168
DEFERRED INCOME		
Deferred income - capital maintenance (note 4)	34,737	44,757
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	3,114,455	2,892,951
	<hr/> 3,704,616	<hr/> 3,483,112
	<hr/> \$4,283,488	<hr/> \$3,679,037

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2017

(with comparative figures for the year ended June 30, 2016)

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

	<u>2017</u>			<u>2016</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	2,892,951	3,483,112	3,556,596
Revenues (note 1)	0	0	15,332,396	15,332,396	16,335,121
Expenditures (note 1)	0	0	(15,110,892)	(15,110,892)	(16,408,605)
Excess (deficit)	0	0	221,504	221,504	(73,484)
CLOSING BALANCE	\$495,161	\$95,000	\$3,114,455	\$3,704,616	\$3,483,112

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2017

(with comparative figures for the year ended June 30, 2016)

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

	<u>2017</u>	<u>2016</u>
REVENUES		
Donations and fundraising	2,032,038	1,916,139
Region of Waterloo - Food Assistance Network (note 7)	359,988	0
Member distribution service fees	39,227	40,734
United Way	31,073	32,200
Grants and Foundations	111,297	24,047
Food Bank Distribution Services (note 1)	126,219	129,058
Investment and other income	79,508	2,929
	<hr/> 2,779,350	<hr/> 2,145,107
Donations of food (note 1)	12,553,046	14,190,014
	<hr/> 15,332,396	<hr/> 16,335,121
EXPENDITURES		
Personnel	1,232,666	1,168,557
Administration	176,026	165,309
Fundraising / Food Drive	198,117	151,433
Food - purchased	101,976	67,754
Facilities	130,921	292,221
Professional development and agency relations	29,932	25,446
Transportation	77,691	66,570
Food Assistance Network (note 7)	350,000	0
Food Bank Distribution Services (note 6)	132,813	130,936
Amortization of property and equipment	127,704	150,365
	<hr/> 2,557,846	<hr/> 2,218,591
Donations of food (note 1)	12,553,046	14,190,014
	<hr/> 15,110,892	<hr/> 16,408,605
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	221,504	(73,484)
NET ASSETS - opening	3,483,112	3,556,596
NET ASSETS - closing	<hr/> \$3,704,616	<hr/> \$3,483,112

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

(with comparative figures for the year ended June 30, 2016)

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

Funds provided by (used in):

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	221,504	(73,484)
Items not affecting cash flow:		
Amortization of property and equipment	127,704	150,365
Deferred capital donations recognized	(10,020)	(12,969)
	<hr/> 339,188	<hr/> 63,912
Change in:		
Investments	(75,393)	764
Funding and GST receivable	25,124	(3,405)
Prepaid expenses	(42,738)	470
Accounts payable	32,784	7,624
Deferred income - general operations (note 4)	88,326	25,600
Deferred income - food purchases (note 4)	271,857	(31,514)
	<hr/> 639,148	<hr/> 63,451
INVESTING ACTIVITIES		
Purchases of property and equipment	(28,860)	(20,208)
FINANCING ACTIVITIES	0	0
NET CASH FLOWS FOR THE YEAR	610,288	43,243
CASH - opening	479,515	436,272
CASH - closing	<hr/> \$1,089,803	<hr/> \$479,515
REPRESENTED BY:		
Cash - unrestricted	676,793	338,362
Cash - restricted for food purchases	413,010	141,153
	<hr/> \$1,089,803	<hr/> \$479,515

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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.

As is the policy for many food banks across Canada, The Food Bank of Waterloo Region recognizes the dollar value of donations of food from industry, businesses and the general public. Donations of food received in the current year totaled 5,021,219 pounds (5,676,006 in the prior year). 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. Other tangible donations in kind are reflected at fair value, when this can reasonably be determined.

The Food Bank of Waterloo Region also benefits from many hours of time donated by many volunteers. As determining a fair value for these contributions is impractical, the value of these contributions is not reflected in these financial statements.

Food purchases and inventory

Food purchases are recorded as an expense at the date of purchase. As it is not practical to track and determine the fair value of food items, including donated food, which is on hand at yearend, they are not reflected as inventory in these financial statements.

Property and equipment

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

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

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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.

2. FINANCIAL INSTRUMENTS

	<u>Restricted</u>	<u>2017</u> <u>Unrestricted</u>	<u>Total</u>	<u>2016</u>
Financial assets reflected at fair (market) value:				
Preferred shares and mutual funds	410,121	0	410,121	543,532
Financial assets reflected at amortized cost:				
Cash, money market funds and term deposits bearing 2.3% to 4.2% interest, due 2017 through 2022	85,040	1,158,345	1,243,385	1,034,581
Total investments	495,161	1,158,345	1,653,506	1,578,113
Cash	95,000	994,803	1,089,803	479,515
Accounts receivable, excluding HST	0	13,319	13,319	8,027
	\$590,161	\$2,166,467	\$2,756,628	\$2,065,655

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.

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2017</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2016</u> <u>Net Book</u> <u>Value</u>
Equipment	617,777	466,889	150,888	167,514
Vehicles	523,441	441,866	81,575	108,767
Freezer	362,296	279,313	82,983	103,729
Real estate - building	1,471,764	649,037	822,727	857,007
Real estate - land	310,000	0	310,000	310,000
	<u>\$3,285,278</u>	<u>\$1,837,105</u>	<u>\$1,448,173</u>	<u>\$1,547,017</u>

4. DEFERRED INCOME

	<u>General</u> <u>Operations</u>	<u>Food</u> <u>Purchases</u>	<u>Capital</u> <u>Maintenance</u>
Opening balance	44,083	46,153	44,757
Restricted contributions received	199,623	388,571	0
Recognized in operations	(111,297)	(116,714)	(10,020)
Closing balance	<u>\$132,409</u>	<u>\$318,010</u>	<u>\$34,737</u>

In the current year the Food Bank of Waterloo Region received a material, one-time donation restricted to food purchases.

5. COMMITMENTS AND CONTINGENCIES

Lease commitment:

The Food Bank of Waterloo Region has a lease commitment with respect to a vehicle which requires 71 monthly payments of \$894 until June 2023.

6. FOOD BANK DISTRIBUTION SERVICES

	<u>2017</u>	<u>2016</u>
Personnel	94,103	91,306
Program expenses	28,218	30,252
Administrative costs	10,492	9,378
	<u>\$132,813</u>	<u>\$130,936</u>

7. REGION OF WATERLOO - FOOD ASSISTANCE NETWORK

In the current year, The Food Bank of Waterloo Region received funding from the Region of Waterloo, which was required to be disbursed to support a range of food security service delivery programs within the Region through contracts with selected member agencies. The Food Bank of Waterloo Region also received funding to support the administration of the Community Food Assistance Network.