

**THE FOOD BANK
OF WATERLOO REGION**
FINANCIAL STATEMENTS
JUNE 30, 2018



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, 2018, 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, 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 in-kind food donations, 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 matters 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, 2018 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
September 5, 2018

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THE FOOD BANK OF WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

(with comparative figures as at June 30, 2017)

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

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT		
Cash - unrestricted	405,131	676,793
Cash - restricted for food purchases	555,699	413,010
Investments - Capital Maintenance Reserve (note 2)	54,162	495,161
Investments - unrestricted (note 2)	1,651,350	1,158,345
Funding and HST receivable	79,773	41,509
Prepaid expenses	52,599	50,497
	<hr/> 2,798,714	<hr/> 2,835,315
LONG-TERM		
Property and equipment (note 3)	1,440,899	1,448,173
	<hr/> \$4,239,613	<hr/> \$4,283,488
LIABILITIES		
CURRENT		
Accounts payable	91,329	93,716
Deferred income - general operations (note 4)	134,599	132,409
Deferred income - food purchases (note 4)	460,699	318,010
	<hr/> 686,627	<hr/> 544,135
DEFERRED INCOME		
Deferred income - capital maintenance (note 4)	26,988	34,737
NET ASSETS		
Internally restricted net assets (note 1)		
Capital Maintenance Reserve	54,162	495,161
Food Purchases Reserve	95,000	95,000
Unrestricted net assets	3,376,836	3,114,455
	<hr/> 3,525,998	<hr/> 3,704,616
	<hr/> \$4,239,613	<hr/> \$4,283,488

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2018

(with comparative figures for the year ended June 30, 2017)

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

	<u>2018</u>			<u>2017</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	3,114,455	3,704,616	3,483,112
Revenues (note 1)	0	0	14,620,820	14,620,820	15,332,396
Expenditures (note 1)	440,999	0	14,358,439	14,799,438	15,110,892
Excess (deficit)	(440,999)	0	262,381	(178,618)	221,504
CLOSING BALANCE	\$54,162	\$95,000	\$3,376,836	\$3,525,998	\$3,704,616

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2018

(with comparative figures for the year ended June 30, 2017)

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

	<u>2018</u>	<u>2017</u>
REVENUES		
Donations and fundraising	2,382,422	2,119,288
Region of Waterloo - Food Assistance Network (note 1)	729,976	359,988
Food Bank Distribution Services (note 1)	128,517	126,219
United Way	38,638	31,073
Region of Waterloo	24,047	24,047
Member distribution service fees	23,174	39,227
Investment and other income	58,020	79,508
	<hr/> 3,384,794	<hr/> 2,779,350
In-kind food donations of food (note 1)	11,236,026	12,553,046
	<hr/> 14,620,820	<hr/> 15,332,396
EXPENDITURES		
Personnel	1,339,229	1,232,666
Administration	185,698	176,026
Fundraising / Food Drive	399,050	198,117
Food - purchased	104,759	101,976
Facilities	479,629	130,921
Professional development and agency relations	34,175	29,932
Transportation	114,674	77,691
Food Assistance Network (note 1)	692,425	350,000
Food Bank Distribution Services (note 1 and 6)	103,095	132,813
Amortization of property and equipment	110,678	127,704
	<hr/> 3,563,412	<hr/> 2,557,846
In-kind food donations of food (note 1)	11,236,026	12,553,046
	<hr/> 14,799,438	<hr/> 15,110,892
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(178,618)	221,504
NET ASSETS - opening	3,704,616	3,483,112
NET ASSETS - closing	<hr/> \$3,525,998	<hr/> \$3,704,616

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

(with comparative figures for the year ended June 30, 2017)

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

Funds provided by (used in):

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	(178,618)	221,504
Items not affecting cash flow:		
Amortization of property and equipment	110,678	127,704
Unrealized loss (gain) on investments	(45,664)	(11,623)
Deferred capital donations recognized	(7,749)	(10,020)
	(121,353)	327,565
Change in:		
Investments	(6,342)	(63,770)
Funding and GST receivable	(38,264)	25,124
Prepaid expenses	(2,102)	(42,738)
Accounts payable	(2,387)	32,784
Deferred income - general operations (note 4)	2,190	88,326
Deferred income - food purchases (note 4)	142,689	271,857
	(25,569)	639,148
INVESTING ACTIVITIES		
Purchases of property and equipment	(119,904)	(28,860)
Proceeds from sale of property and equipment	16,500	0
	(103,404)	(28,860)
FINANCING ACTIVITIES	0	0
NET CASH FLOWS FOR THE YEAR	(128,973)	610,288
CASH - opening	1,089,803	479,515
CASH - closing	\$960,830	\$1,089,803
REPRESENTED BY:		
Cash - unrestricted	405,131	676,793
Cash - restricted for food purchases	555,699	413,010
	\$960,830	\$1,089,803

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

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 Assistance Network** is a program funded by the Region of Waterloo, which supports a range of food security service delivery programs within the Region through contracts with selected member agencies. The Food Bank of Waterloo Region also receives funding to support the administration of the Community Food Assistance Network.

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, at fair values, provided such 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 in-kind donations of food from industry, businesses and the general public. Donations of food received in the current year totaled 4,453,714 pounds (5,021,219 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 for the first nine months of the fiscal year, and \$2.60 per pound for the remaining three months (\$2.50 in the prior year), 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.

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 - equipment at 25% per annum, vehicles at 25% per annum, freezers at 20% per annum and the building at 4% per annum.

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

1. ACCOUNTING POLICIES (continued)

Restricted Net Assets

The Board has restricted certain cash and investments for specific purposes. The **Capital Maintenance Reserve** was established by the Board to fund future significant capital maintenance items and capital purchases, such as vehicles or equipment. The **Food Purchases Reserve** was established 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 the Food Bank Distribution Services program. 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>2018</u>		<u>2017</u>	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	
Financial assets reflected at fair (market) value:				
Preferred shares and mutual funds	0	614,428	614,428	410,121
Financial assets reflected at amortized cost:				
Cash, money market funds and term deposits bearing 1.6% to 4.2% interest, due 2019 through 2023	54,162	1,036,922	1,091,084	1,243,385
Total investments	54,162	1,651,350	1,705,512	1,653,506
Cash	555,699	405,131	960,830	1,089,803
Accounts receivable, excluding HST	0	24,728	24,728	13,319
	<u>\$609,861</u>	<u>\$2,081,209</u>	<u>\$2,691,070</u>	<u>\$2,756,628</u>

	<u>2018</u>	<u>2017</u>
Investment income:		
Realized gains on equity instruments	0	56,718
Unrealized gains on equity instruments	45,664	11,623
Interest income	22,236	20,206
Dividend and other income	3,983	2,518
Management fees	(18,436)	(18,080)
	<u>\$53,447</u>	<u>\$72,985</u>

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, 2018

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2018</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2017</u> <u>Net Book</u> <u>Value</u>
Equipment	642,229	507,667	134,562	150,888
Vehicles	447,196	402,515	44,681	81,575
Freezer	362,296	295,910	66,386	82,983
Real estate - building	1,567,216	681,946	885,270	822,727
Real estate - land	310,000	0	310,000	310,000
	<u>\$3,328,937</u>	<u>\$1,888,038</u>	<u>\$1,440,899</u>	<u>\$1,448,173</u>

4. DEFERRED INCOME

	<u>General</u> <u>Operations</u>	<u>Food</u> <u>Purchases</u>	<u>Capital</u> <u>Maintenance</u>
Opening balance	132,409	318,010	34,737
Restricted contributions received	756,213	247,448	0
Recognized in operations	(754,023)	(104,759)	(7,749)
Closing balance	<u>\$134,599</u>	<u>\$460,699</u>	<u>\$26,988</u>

In the current year the Food Bank of Waterloo Region received a significant 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 \$1,682 until June 2023.

6. FOOD BANK DISTRIBUTION SERVICES

	<u>2018</u>	<u>2017</u>
Personnel	59,816	94,103
Program expenses	29,822	28,218
Administrative costs	13,457	10,492
	<u>\$103,095</u>	<u>\$132,813</u>

7. NON-ARMS-LENGTH TRANSACTIONS

The Food Bank of Waterloo Region supplements the donations of food it receives from the community and business by purchasing food from suppliers. In the current fiscal year, the Food Bank of Waterloo Region purchased food worth \$2,100 (\$960 in the prior year) from a business controlled by a member of its Board of Directors.

8. COMPARATIVE FIGURES

Some comparative figures have been restated to properly align with new financial statement format adopted in the current fiscal year.