

**THE FOOD BANK
OF WATERLOO REGION**
FINANCIAL STATEMENTS
JUNE 30, 2019



INDEPENDENT AUDITORS' REPORT

To the Directors of Food Bank of Waterloo Region Qualified Opinion

We have audited the financial statements of Food Bank of Waterloo Region, which comprise the statement of financial position as at June 30, 2019, and the statement of operations, the statement changes in net assets, and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Food Bank of Waterloo Region as at June 30, 2019 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.

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 the completeness of which is not susceptible to satisfactory audit verification. In addition, Food Bank of Waterloo Region reports in-kind food donations as both revenue and an expense, the completeness and accuracy of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues and the expense from these sources was limited to accounting for the amounts recorded in the records of Food Bank of Waterloo Region. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess (deficit) of revenues over expenses, and cash flows for the years ended June 30, 2019 and 2018, current assets as at June 30, 2019 and 2018, and net assets as at July 1, 2018 and June 30, 2019 and 2018. Our audit opinion on the financial statements for the year ended June 30, 2018 was also modified because of the possible effects of the same limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cardy Winters & Simon LLP

Kitchener, ON
September 3, 2019

Cardy Winters & Simon LLP

**Chartered Professional Accountants
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THE FOOD BANK OF WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

(with comparative figures as at June 30, 2018)

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

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT		
Cash - unrestricted	433,768	405,131
Cash - restricted for food purchases and capital maintenance	522,813	555,699
Investments - Capital Maintenance Reserve (note 2)	0	54,162
Investments - unrestricted (note 2)	1,718,359	1,651,350
Funding and HST receivable	108,849	79,773
Prepaid expenses	55,324	52,599
	<hr/> 2,839,113	<hr/> 2,798,714
LONG-TERM		
Property and equipment (note 3)	1,390,146	1,440,899
	<hr/> \$4,229,259	<hr/> \$4,239,613
LIABILITIES		
CURRENT		
Accounts payable	90,053	91,329
Deferred income - general operations (note 4)	154,256	134,599
Deferred income - food purchases (note 4)	411,741	460,699
	<hr/> 656,050	<hr/> 686,627
DEFERRED INCOME		
Deferred income - capital donations (note 4)	34,825	26,988
NET ASSETS		
Internally restricted net assets (note 1)		
Capital Maintenance Reserve	16,072	54,162
Food Purchases Reserve	95,000	95,000
Unrestricted net assets	3,427,312	3,376,836
	<hr/> 3,538,384	<hr/> 3,525,998
	<hr/> \$4,229,259	<hr/> \$4,239,613

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2019

(with comparative figures for the year ended June 30, 2018)

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

	<u>2019</u>			<u>2018</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	54,162	95,000	3,376,836	3,525,998	3,704,616
Revenues (note 1)	0	0	15,525,981	15,525,981	14,620,820
Expenditures (note 1)	38,090	0	15,475,505	15,513,595	14,799,438
Excess (deficit)	(38,090)	0	50,476	12,386	(178,618)
CLOSING BALANCE	\$16,072	\$95,000	\$3,427,312	\$3,538,384	\$3,525,998

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2019

(with comparative figures for the year ended June 30, 2018)

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

	<u>2019</u>	<u>2018</u>
REVENUES		
Donations and fundraising	2,558,588	2,382,422
Region of Waterloo - Food Assistance Network (note 1)	732,003	729,976
Food Bank Distribution Services (note 1)	127,992	128,517
United Way	77,000	38,638
Region of Waterloo	12,024	24,047
Member distribution service fees	9,773	23,174
Investment and other income	16,032	58,020
	<hr/> 3,533,412	<hr/> 3,384,794
In-kind food donations (note 1)	11,992,569	11,236,026
	<hr/> 15,525,981	<hr/> 14,620,820
EXPENDITURES		
Personnel	1,406,754	1,339,229
Administration	234,350	185,698
Fundraising / Food Drive	482,279	399,050
Food purchases and processing	137,792	104,759
Facilities	181,119	479,629
Professional development and agency relations	47,287	34,175
Transportation	113,083	114,674
Food Assistance Network (note 1)	711,097	692,425
Food Bank Distribution Services (note 1 and 6)	105,279	103,095
Amortization of property and equipment	101,986	110,678
	<hr/> 3,521,026	<hr/> 3,563,412
In-kind food donations (note 1)	11,992,569	11,236,026
	<hr/> 15,513,595	<hr/> 14,799,438
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	12,386	(178,618)
NET ASSETS - opening	3,525,998	3,704,616
NET ASSETS - closing	<hr/> \$3,538,384	<hr/> \$3,525,998

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

(with comparative figures for the year ended June 30, 2018)

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

Funds provided by (used in):

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	12,386	(178,618)
Items not affecting cash flow:		
Amortization of property and equipment	101,986	110,678
Unrealized loss (gain) on investments, current and prior	14,667	(45,664)
Deferred capital donations recognized	7,837	(7,749)
	<hr/> 136,876	<hr/> (121,353)
Change in:		
Investments	(27,514)	(6,342)
Funding and GST receivable	(29,076)	(38,264)
Prepaid expenses	(2,725)	(2,102)
Accounts payable	(1,276)	(2,387)
Deferred income - general operations (note 4)	19,657	2,190
Deferred income - food purchases (note 4)	(48,958)	142,689
	<hr/> 46,984	<hr/> (25,569)
INVESTING ACTIVITIES		
Purchases of property and equipment	(59,233)	(119,904)
Proceeds from sale of property and equipment	8,000	16,500
	<hr/> (51,233)	<hr/> (103,404)
FINANCING ACTIVITIES	0	0
NET CASH FLOWS FOR THE YEAR	(4,249)	(128,973)
CASH - opening	960,830	1,089,803
CASH - closing	<hr/> \$956,581	<hr/> \$960,830
REPRESENTED BY:		
Cash - unrestricted	433,768	405,131
Cash - restricted for food purchases and capital maintenance	522,813	555,699
	<hr/> \$956,581	<hr/> \$960,830

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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 revenues are reflected when received or receivable, 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 food donations from industry, businesses and the general public. Donations of food received in the current year totaled 4,612,527 pounds (4,453,714 in the prior year). These donations of food have been valued, based on national standards recommended by Food Banks Canada, at \$2.60 per pound for the year (\$2.52 in the prior year), which management believes to be a reasonable reflection of fair value. This dollar value of in-kind food donations is reflected as both a revenue, and an expense, 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 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.

Restricted Net Assets

The Board has restricted certain cash and/or 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.

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

1. ACCOUNTING POLICIES (continued)

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.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumption that may affect the reported amount of assets and liabilities at the financial statement date and the reported revenues and expenses reported for the year. Items included in these financial statements subject to estimates and assumptions include amortization related to the useful life of capital assets, and in-kind food donations. Actual values could differ from those estimates.

2. FINANCIAL INSTRUMENTS

	<u>Restricted</u>	<u>2019</u> <u>Unrestricted</u>	<u>Total</u>	<u>2018</u>
Financial assets reflected at fair (market) value:				
Preferred shares and mutual funds	0	598,213	598,213	614,428
Financial assets reflected at amortized cost:				
Cash and fixed term deposit purchased at premium bearing 1.6% to 4.2% interest, due 2019 through 2024	0	1,120,146	1,120,146	1,091,084
Total investments	0	1,718,359	1,718,359	1,705,512
Cash	711,894	244,687	956,581	960,830
Funding receivable (excluding HST)	0	14,569	14,569	24,728
	\$711,894	\$1,977,615	\$2,689,509	\$2,691,070
Investment income:			<u>2019</u>	<u>2018</u>
Realized gains on equity instruments			21,884	0
Fair value adjustments and previous unrealized (gains) or losses			(14,667)	45,664
Interest income			21,120	22,236
Dividend and other income			4,278	3,983
Management fees			(18,535)	(18,436)
			\$14,080	\$53,447

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, 2019

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2019</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2018</u> <u>Net Book</u> <u>Value</u>
Equipment	701,463	550,014	151,449	134,562
Vehicles	354,099	328,370	25,729	44,681
Freezer	362,296	309,187	53,109	66,386
Real estate - building	1,567,216	717,357	849,859	885,270
Real estate - land	310,000	0	310,000	310,000
	<u>\$3,295,074</u>	<u>\$1,904,928</u>	<u>\$1,390,146</u>	<u>\$1,440,899</u>

4. DEFERRED INCOME

	<u>General</u> <u>Operations</u>	<u>Food</u> <u>Purchases</u>	<u>Capital</u> <u>Donations</u>
Opening balance	134,599	460,699	26,988
Restricted contributions received	767,895	88,834	16,527
Recognized in operations	(748,238)	(137,792)	(8,690)
Closing balance	<u>\$154,256</u>	<u>\$411,741</u>	<u>\$34,825</u>

In the 2018 fiscal year the Food Bank of Waterloo Region received a significant donation which was restricted for food purchases.

5. COMMITMENTS AND CONTINGENCIES

Lease commitments:

The Food Bank of Waterloo Region has lease commitments with respect to two vehicles. The first requires 71 monthly payments of \$1,682 until June 2023, the second requires monthly payments of \$1,950 until July 2025.

Lease payments are projected to be \$43,584 annually until the end of the 2023 fiscal year, and \$23,400 for the 2024 and 2025 fiscal years.

6. FOOD BANK DISTRIBUTION SERVICES

	<u>2019</u>	<u>2018</u>
Personnel	54,468	59,816
Program expenses	37,167	29,822
Administrative costs	13,644	13,457
	<u>\$105,279</u>	<u>\$103,095</u>