

Financial statements of

Food Banks Canada

March 31, 2011

Food Banks Canada

March 31, 2011

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Independent Auditor's Report

To the Board of Directors of
Food Banks Canada

We have audited the accompanying financial statements of Food Banks Canada, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets, and 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 generally accepted accounting principles, 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.

Auditor's 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 auditor's 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 for Qualified Opinion

In common with many not-for-profit organizations, Food Banks Canada derives revenues from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Food Banks Canada and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, deficiency of revenues over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the financial statements present fairly, in all material respects, the financial position of Food Banks Canada at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 19, 2011

Food Banks Canada

Statement of financial position

as at March 31, 2011

	2011	2010
	\$	\$
Assets		
Current		
Cash	338,261	435,649
Investments	1,758,131	1,760,404
Accounts receivable	561,526	250,597
Prepaid expenses	22,017	16,685
	2,679,935	2,463,335
Capital assets (Note 5)	44,452	41,812
	2,724,387	2,505,147
Liabilities		
Current		
Accounts payable and accrued liabilities	618,804	129,121
Deferred contributions (Note 6)	10,004	146,868
	628,808	275,989
Net assets		
General Fund		
Unrestricted	133,532	241,718
Invested in capital assets	44,452	41,812
Internally Restricted Funds	1,304,075	1,474,075
Externally Restricted Funds	613,520	471,553
	2,095,579	2,229,158
	2,724,387	2,505,147

Food Banks Canada

Statement of operations twelve months ended March 31, 2011

				Twelve months ended March 31, 2011	Fifteen months ended March 31, 2010
	General Funds	Internally Restricted Funds	Externally Restricted Funds	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Corporate donations	423,943	-	1,118,733	1,542,676	1,551,619
Government	-	-	153,197	153,197	97,931
Fundraising initiatives	108,406	-	-	108,406	267,364
Class Action proceeds (Note 7)	-	-	200,123	200,123	264,471
Foundation grants	5,027	-	49,025	54,052	69,250
Individual donations (Note 8)	133,688	-	-	133,688	273,299
Interest	27,946	-	-	27,946	50,997
Membership fees	17,421	-	-	17,421	26,010
Other income	37,998	-	-	37,998	22,538
	754,429	-	1,521,078	2,275,507	2,623,479
Designated donations for distribution to Membership	-	-	1,284,416	1,284,416	2,102,834
	754,429	-	2,805,494	3,559,923	4,726,313
Expenses					
Program services					
Food acquisition and sharing	-	170,000	489,545	659,545	499,473
Member services and support	146,800	-	172,722	319,522	422,598
Public education and awareness	-	-	296,374	296,374	194,961
Research and advocacy	2,981	-	232,212	235,193	274,336
	149,781	170,000	1,190,853	1,510,634	1,391,368
Distribution of funds to Membership (Note 9)	58,272	-	1,472,674	1,530,946	2,254,172
	208,053	170,000	2,663,527	3,041,580	3,645,540
Support services					
Administration	482,715	-	-	482,715	558,133
Fund development	169,207	-	-	169,207	162,636
	651,922	-	-	651,922	720,769
	859,975	170,000	2,663,527	3,693,502	4,366,309
(Deficiency) excess of revenues over expenses	(105,546)	(170,000)	141,967	(133,579)	360,004

Food Banks Canada

Statement of changes in net assets twelve months ended March 31, 2011

							Twelve months ended March 31, 2011	Fifteen months ended March 31, 2010		
	General Fund			Internally Restricted			Externally Restricted			
	Unrestricted	Invested in capital assets	Operating Reserve Fund	Special Projects Fund	Stephan and Sophie Lewar Fund	Disaster Relief Fund	Total	Donor Restricted Fund	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balances,										
beginning of period	241,718	41,812	500,000	14,400	900,000	59,675	1,474,075	471,553	2,229,158	1,869,154
(Deficiency) excess of revenues over expenses for the year	(90,320)	(15,226)	-	-	(170,000)	-	(170,000)	141,967	(133,579)	360,004
Purchase of capital assets	(17,866)	17,866	-	-	-	-	-	-	-	-
Balances,										
end of period	133,532	44,452	500,000	14,400	730,000	59,675	1,304,075	613,520	2,095,579	2,229,158

Food Banks Canada

Statement of cash flows

twelve months ended March 31, 2011

	Twelve months ended March 31, 2011	Fifteen months ended March 31, 2010
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(133,579)	360,004
Item not affecting cash		
Amortization	15,226	16,224
	(118,353)	376,228
Changes in non-cash working capital items		
Accounts receivable	(310,929)	396,235
Prepaid expenses	(5,332)	6,203
Accounts payable and accrued liabilities	489,683	(245,472)
Deferred contributions	(136,864)	(28,310)
	(81,795)	504,884
Investing and financing activities		
Net sales (purchases) of investments	2,273	(358,624)
Purchase of capital assets	(17,866)	(32,836)
	(15,593)	(391,460)
Net cash (outflow) inflow	(97,388)	113,424
Cash, beginning of period	435,649	322,225
Cash, end of period	338,261	435,649

Food Banks Canada

Notes to the financial statements

March 31, 2011

1. Purpose of the organization

Food Banks Canada (the "Organization") is the national organization that represents the food bank community across Canada with a mandate to assist in meeting the immediate food needs of food bank recipients and to work toward long-term solutions to hunger. The Organization was incorporated on December 20, 1988 as a company without share capital under the Canada Corporations Act. It is designated as a charitable organization and is therefore exempt from income taxes.

2. Future accounting changes

In December 2010, the CICA issued accounting standards for Not-for-Profit Organizations (Part III of the CICA Handbook - Accounting). Effective for fiscal years beginning on or after January 1, 2012, Not-for-Profit organizations are required to adopt either Part III of the CICA Handbook - Accounting, or International Financial Reporting Standards (Part I of the CICA Handbook - Accounting). Earlier adoption is permitted. The Organization is currently evaluating the impact on its financial statements of the two options.

3. Accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with the accounting standards for Not-for-Profit organizations published by the Canadian Institute of Chartered Accountants, using the restricted fund method of accounting for restricted contributions.

The accounting policies of the Organization are in accordance with Canadian generally accepted accounting principles followed by Not-for-Profit organizations. Outlined below are those policies considered particularly significant.

Revenue recognition

Restricted donations or grants are recognized as revenue of the appropriate restricted funds. All other restricted donations or grants for which no restricted funds have been established are deferred and recognized as revenue of the General Fund in the years in which the related expenses are incurred. Unrestricted donations or grants are recognized as revenue of the General Fund.

Donated products and services

A number of volunteers provide significant amounts of time to the activities of the Organization. Because of the difficulty in assigning values for such services, the value of donated time is not reflected in the financial statements. The Organization also handles assorted food and consumer products, the poundage of which is tracked. During the year, the Organization distributed 11,476,955 (2010 - 12,450,348 for 15 months) pounds of such items through the National Food Sharing System to Food Banks across Canada. The value of the food handled cannot be estimated and is therefore not reflected in these financial statements. The expense related to this activity is included in food acquisition and sharing expense in the Statement of operations.

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3. Accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Donated capital assets are recorded at fair market value at the date of contribution. Amortization is provided over the estimated useful lives of the capital assets at the following annual rates:

Computer and software	-	30% declining balance basis
Furniture and equipment	-	30% declining balance basis

One half the normal rate is taken in the year of acquisition.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the year then ended. Actual results may differ from such estimates. Balances for which estimates were used are capital assets (amortization), accrued liabilities, and allowance for doubtful accounts.

Financial instruments

The Organization has classified each of its financial instruments into the following accounting categories. The category for an item determines its subsequent accounting.

Asset/liability	Category	Measurement
Cash	Held for trading	Fair value
Investments	Available for sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

- Held-for-trading items are carried at fair value, with changes in their fair value recognized in the Statement of operations.
- Available-for-sale items are carried at fair value, with changes in their fair value recognized in the Statement of changes in net assets.
- Loans and receivable are carried at amortized cost, using the effective interest method, net of any impairment.
- Other liabilities are carried at amortized cost, using the effective interest method.

As allowed under Section 3855 "Financial Instruments - Recognition and Measurement", the Organization has elected not to account for non-financial contracts as derivatives, and to not account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Organization has elected to follow the disclosure requirements of Section 3861 "Financial Instruments - Disclosure and Presentation" of the CICA Handbook.

Allocation of expenses

Fund development expenses are not allocated to program services expenses, but are recognized in the relevant Fund proportionately to fundraising revenue. Salaries and benefits are also not allocated, as program services and support services expenses reflect the actual direct amount of salaries and benefits.

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4. Description of Funds

General Fund

(a) Unrestricted Fund

The Unrestricted Fund records the operating activities of the Organization.

(b) Invested in Capital Assets Fund

The Invested in Capital Assets Fund records the Organization's capital assets, less any related debt.

Internally Restricted Funds

(a) Operating Reserve Fund

The Operating Reserve Fund is to be used for:

- Unexpected operating expenses and/or budget deficits; and
- Expenses in the event of the wind down of the Organization.

The target balance for the Fund is approximately six months of operating expenses (excluding amounts raised for redistribution to membership).

(b) Special Projects Fund

The Special Projects Fund records donations by the corporate community for specific program and activities.

(c) Stephan & Sophie Lewar Fund.

The Stephan & Sophie Lewar Fund was established from monies designated by the donor to be spent on freight and the cost of shipping food throughout Canada. The trust document stated that if it is impossible, inadmissible or impractical for the Organization to use the funds for the purpose designated, the Organization is entitled to use the funds at its discretion for any other purpose that is consistent with the spirit and intention of the gift.

(d) Disaster Relief Fund

The Disaster Relief Fund was established by the Board from a donation by the Bank of Nova Scotia for disaster spending. The original donation was for the ice storm of 2000, with unspent funds being designated for future disasters.

Externally restricted fund

Donor Restricted Fund

The Donor Restricted Fund records designated funds received from donors for specific projects/expenses.

5. Capital assets

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	17,580	13,092	4,488	6,411
Computers and software	95,112	55,148	39,964	35,401
	112,692	68,240	44,452	41,812

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6. Deferred contributions

Deferred contributions consist of:

	2011	2010
	\$	\$
Canadian Vitamins Class Action settlement	10,004	131,262
Membership fees received in advance	-	15,606
	10,004	146,868

During 2005, the Organization received \$1,566,299 from the settlement of the Canadian Vitamins Class Action. Although the Organization was not a party to the action, the settlement agreement provided that a portion of the funds be paid to certain organizations designated by the courts. The Organization distributes these funds to member organizations based upon established criteria. The amount distributed during the year amounted to \$121,258 (2010 - \$29,455) (see Note 7).

7. Class Action Proceeds

	2011	2010
	\$	\$
Hydrogen Class Action proceeds	-	264,471
Methionine Class Action proceeds	78,865	-
Vitamin class action proceeds (Note 6)	121,258	-
	200,123	264,471

8. Individual donations

Donations consist of funds received during the holiday season and from employee campaigns run by donor organizations.

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9. Distribution of funds to Membership

Funds received from the undernoted sources, together with proceeds from specific programs, have been distributed to Members (Provincial Associations), Affiliate Members and Non-affiliate Member food banks across Canada.

	2011		2010	
	General Fund	Externally Restricted Fund	General Fund	Externally Restricted Fund
	\$	\$	\$	\$
Campbell Company of Canada	-	45,000	-	24,837
Canadian Vitamin Class Action settlement (Note 6)	-	121,258	-	29,455
Canadian Pacific Railway Company	-	149,454	-	384,488
IA Clarington Investments Inc	-	-	-	30,000
Kraft Canada Inc	-	150,000	-	151,331
Loblaw Companies	-	850,661	-	1,271,998
Maple Leaf Foods Inc.	-	-	-	60,000
McCain Foods (Canada)	-	27,278	-	-
Miscellaneous donations	-	-	-	535
Phones for Food program	58,272	-	133,198	-
Syngenta Corporation	-	74,905	-	23,815
Turkey Farmers of Canada	-	54,118	-	54,515
W. Garfield Weston Foundation	-	-	-	90,000
	58,272	1,472,674	133,198	2,120,974

10. Commitments

The Organization signed a three year lease for new copier on August 16, 2010. Under the terms of the lease, the Organization is committed to the following minimum annual lease payments:

	\$
2012	7,456
2013	7,456
2014	1,864
Thereafter	-
	16,776

11. Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee.

- The Organization has provided indemnities under a lease agreement for the use of its premises. Under the terms of this agreement the Organization agrees to indemnify the counterparty for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement.
- The Organization indemnifies all directors, officers, employees and volunteers acting on behalf of the Organization for various items including but not limited to all costs to settle suits or actions due to services provided to the Organization, subject to certain restrictions.

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Notes to the financial statements

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11. Guarantees (continued)

The nature of these indemnification agreements prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued with respect to these agreements. The Organization has purchased liability insurance to mitigate the cost of any potential future suits or actions.

12. Capital management

As a not-for-profit entity, the Organization's operations are reliant on revenues generated annually. The Organization has accumulated Unrestricted Funds over its history. The Organization also maintains fund balances which are available for the use at the Board's discretion. The Externally Restricted Funds have restrictions with which the Organization has complied during the year.

13. Fair values and risk management

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Investments consist of investment certificates issued by Canadian banks and are carried at cost plus accrued interest, which approximates fair value.

Interest rate risk

The Organization is exposed to interest rate risk on its investments. The Organization does not use any hedging instruments to manage this risk.

Credit rate risk

The Organization's credit risk is primarily attributable to its accounts receivables. The Organization manages this risk through proactive collection polices.

14. Comparative figures

Certain of the prior year comparative amounts have been reclassified to conform with the presentation adopted for the current year. Amounts totaling \$858,238 which were previously recorded as Program and sponsorship revenue in the prior year have been re-classed to corporate donations, government, fundraising initiatives, class action proceeds and other income.