

**Food Banks Canada**  
**Financial Statements**  
For the year ended March 31, 2016

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Tel: 905 270-7700  
Fax: 905 270-7915  
Toll-free: 866 248 6660  
www.bdo.ca

BDO Canada LLP  
1 City Centre Drive, Suite 1700  
Mississauga ON L5B 1M2 Canada

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## Independent Auditor's Report

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### To the Members 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, 2016 and the statements of operations and 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 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.

### 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 charitable organizations, Food Banks Canada derives revenues from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the entity. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess (deficiency) of revenue over expenses and cash flows from operations for the year ended March 31, 2016, current assets as at March 31, 2016, and net assets as at April 1, 2015 and March 31, 2016. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2015 was modified because of the possible effects of a similar limitation in scope.



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## Independent Auditor's Report

(continued)

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### 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 as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Other Matters

The financial statements of Food Banks Canada for the year ended March 31, 2015 were audited by another auditor who expressed a qualified audit opinion on those financial statements on May 19, 2015 for the reasons described in the Basis for Qualified Opinion paragraph.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario

May 18, 2016

**Food Banks Canada**  
**Statement of Financial Position**

**March 31** **2016** **2015**

**Assets**

**Current**

Cash	\$ 380,271	\$ 361,390
Unrestricted investments (Note 3)	684,523	888,955
Externally restricted investments (Note 3)	2,376,503	265,048
Accounts receivable (Note 1)	235,847	211,478
Prepaid expenses	62,837	105,948

**3,739,981** **1,832,819**

**Capital assets (Note 4)**

**109,142** **144,450**

**\$ 3,849,123** **\$ 1,977,269**

**Liabilities and Net Assets**

**Current**

Accounts payable and accrued liabilities (Note 5)	\$ 413,318	\$ 361,488
Deferred contributions (Note 6)	11,806	131,335

**425,124** **492,823**

**Deferred capital contributions (Note 7)**

**68,369** **96,850**

**493,493** **589,673**

**Net assets**

General Fund		
Unrestricted	28,679	15,273
Invested in capital assets	40,773	47,600
Program reserve	150,000	300,000
Internally Restricted Funds (Note 8)	759,675	759,675
Externally Restricted Funds	2,376,503	265,048

**3,355,630** **1,387,596**

**\$ 3,849,123** **\$ 1,977,269**

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements.

**Food Banks Canada**  
**Statement of Operations and Changes in Net Assets**

**For the year ended March 31**

							2016	2015
	Unrestricted	Invested in Capital Assets	Program Reserve	Total General Fund	Internally Restricted Funds	Externally Restricted Funds	Total	Total
<b>Revenue</b>								
Corporate donations	\$ 1,073,046	\$ 28,481	\$ -	\$ 1,101,527	\$ -	\$ 1,591,587	\$ 2,693,114	\$ 2,130,000
Fundraising initiatives	-	-	-	-	-	41,160	41,160	25,000
Foundation grants	171,032	-	-	171,032	-	631,300	802,332	62,435
Individual donations	296,702	-	-	296,702	-	665	297,367	375,739
Provincial association fees	42,000	-	-	42,000	-	-	42,000	42,000
Other income	16,385	-	-	16,385	-	52,384	68,769	31,690
Revenue for redistribution to network	-	-	-	-	-	4,610,333	4,610,333	2,625,291
Donated food products	-	-	-	-	-	30,713,743	30,713,743	31,992,205
	<b>1,599,165</b>	<b>28,481</b>	<b>-</b>	<b>1,627,646</b>	<b>-</b>	<b>37,641,172</b>	<b>39,268,818</b>	<b>37,284,360</b>
<b>Expenses</b>								
Programs								
Capacity building	-	-	-	-	-	301,856	301,856	9,700
Food acquisition and sharing	-	-	-	-	-	824,073	824,073	713,065
Network services and support	116,406	-	-	116,406	-	271,585	387,991	492,545
Research and advocacy	258,273	-	-	258,273	-	64,161	322,434	331,015
Donations redistributed to network (Note 9)	-	-	-	-	-	3,354,299	3,354,299	2,500,008
Donated food products distributed to network	-	-	-	-	-	30,713,743	30,713,743	31,992,205
Total programs	<b>374,679</b>	<b>-</b>	<b>-</b>	<b>374,679</b>	<b>-</b>	<b>35,529,717</b>	<b>35,904,396</b>	<b>36,038,538</b>
Support services								
Administration	460,625	43,444	-	504,069	-	-	504,069	597,852
Fund development	892,319	-	-	892,319	-	-	892,319	893,495
Total support services	<b>1,352,944</b>	<b>43,444</b>	<b>-</b>	<b>1,396,388</b>	<b>-</b>	<b>-</b>	<b>1,396,388</b>	<b>1,491,347</b>
	<b>1,727,623</b>	<b>43,444</b>	<b>-</b>	<b>1,771,067</b>	<b>-</b>	<b>35,529,717</b>	<b>37,300,784</b>	<b>37,529,885</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(128,458)</b>	<b>(14,963)</b>	<b>-</b>	<b>(143,421)</b>	<b>-</b>	<b>2,111,455</b>	<b>1,968,034</b>	<b>(245,525)</b>
<b>Balance, beginning of year</b>	<b>15,273</b>	<b>47,600</b>	<b>300,000</b>	<b>362,873</b>	<b>759,675</b>	<b>265,048</b>	<b>1,387,596</b>	<b>1,633,121</b>
<b>Transfer of funds</b>	<b>141,864</b>	<b>8,136</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance, end of year</b>	<b>\$ 28,679</b>	<b>\$ 40,773</b>	<b>\$ 150,000</b>	<b>\$ 219,452</b>	<b>\$ 759,675</b>	<b>\$ 2,376,503</b>	<b>\$ 3,355,630</b>	<b>\$ 1,387,596</b>

The accompanying notes are an integral part of these financial statements.

## Food Banks Canada Statement of Cash Flows

For the year ended March 31	2016	2015
<b>Cash was provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ 1,968,034	\$ (245,525)
Adjustments required to reconcile excess (deficiency) of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets	43,444	48,707
Amortization of deferred capital contributions	(28,481)	(30,835)
Changes in non-cash working capital balances		
Accounts receivable	(24,369)	136,577
Prepaid expenses	43,111	(49,985)
Accounts payable and accrued liabilities	51,830	(89,477)
Deferred contributions	(119,529)	(93,027)
	<b>1,934,040</b>	<b>(323,565)</b>
<b>Investing activities</b>		
Purchase of capital assets	(8,136)	(13,147)
Net sales (purchases) of investments	(1,907,023)	584,371
	<b>(1,915,159)</b>	<b>571,224</b>
<b>Increase in cash during the year</b>	<b>18,881</b>	<b>247,659</b>
<b>Cash, beginning of year</b>	<b>361,390</b>	<b>113,731</b>
<b>Cash, end of year</b>	<b>\$ 380,271</b>	<b>\$ 361,390</b>

The accompanying notes are an integral part of these financial statements.

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# Food Banks Canada

## Notes to Financial Statements

March 31, 2016

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### 1. Summary of Significant Accounting Policies

#### *Nature and Purpose of Organization*

Food Banks Canada (the Organization) is the national organization representing and supporting the food bank network across the country. Its mandate is to build a Canada where no one goes hungry, achieving this through national initiatives that share food and funds with food banks across the country, developing and supporting programs that enable the self-sufficiency of individuals and families and working to find long term solutions to hunger through research and government engagement. The Organization was federally incorporated on December 20, 1988 as Canadian Association of Food Banks (CAFB) as a company without share capital under the Canada Corporations Act. In 2008, it rebranded as Food Banks Canada. In 2014, the Organization transitioned to the Canada Not-for-Profit Corporations Act.

The Organization is designated as a charitable organization with the Canada Revenue Agency, is exempt from income taxes and is able to issue donation receipts.

#### *Basis of Accounting*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### *Donated Services and Food Products*

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 receives and shares a significant volume of food products with its food bank network through the National Food Sharing System.

The volume of food products acquired and distributed through the National Food Sharing System was 12,285,497 pounds (2015 - 12,796,882 pounds) with a value of \$2.50 per pound based on an estimate provided by a third party. These donated food products are reflected in the statement of operations and changes in net assets as donated food products offsetting donated food products distributed to network. The Organization recognizes the donated food products in the period in which they are received and distributed to its food bank network.

The expense related to the National Food Sharing System is included in food acquisition and sharing expense in the statement of operations and changes in net assets. In addition to incurring expenses to run the National Food Sharing System, the Organization receives significant donated services for the warehousing and transporting of the products. The value of the donated warehousing and transporting services is not reflected in these financial statements.

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# Food Banks Canada

## Notes to Financial Statements

March 31, 2016

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### 1. Summary of Significant 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 calculated based on the carrying value and is provided over the estimated useful lives of the capital assets at the following annual rates:

Computer hardware and software	- 30% declining balance basis
Furniture and equipment	- 30% declining balance basis
Leasehold improvements	- over the term of the lease

#### **Revenue Recognition**

Restricted donations or grants are recognized as revenue of the appropriate restricted funds using the restricted fund method of accounting. 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.

#### **Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of 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, allowance for doubtful accounts, and the value of donated food products.

#### **Financial Instruments**

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provision of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments. The Organization has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in the statement of operations and changes in net assets.

Financial assets measured at amortized cost are cash and accounts receivable, while financial liabilities measured at amortized cost are accounts payable and accrued liabilities.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the statement of operations and changes in net assets.



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## Food Banks Canada Notes to Financial Statements

**March 31, 2016**

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### 1. Summary of Significant Accounting Policies (continued)

#### ***Pledges Receivable***

Pledges are recognized as receivable when the amount can be reasonably estimated and ultimate collection is reasonably assured. \$127,958 (2015 - \$107,613) pledges receivable are included in accounts receivable in the statement of financial position.

#### ***Deferred Capital Contributions***

Amounts received for the purchase of capital assets are recorded as deferred capital contributions and are amortized over the useful life of the related capital assets.

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### 2. Description of Funds

#### ***General Fund***

##### a) Unrestricted Fund

The Unrestricted Fund records the operating activities of the Organization.

##### b) Invested in Capital Assets

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

##### c) Program Reserve

The Program Reserve provides short term funds to allow for program area development or growth.

#### ***Internally Restricted Funds***

##### a) Operating Reserve Fund

The Operating Reserve Fund provides funds to allow the Organization to continue to operate during extreme financially difficult conditions; and/or ensures adequate funds are available in the event the Organization is dissolved.

##### b) Disaster Relief Fund

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

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**Food Banks Canada**  
**Notes to Financial Statements**

**March 31, 2016**

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**2. Description of Funds** (continued)

***Externally Restricted Funds***

a) Donor Restricted Fund

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

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**3. Investments**

Investments totaling \$3,061,026 (2015 - \$1,154,003) consist of funds invested in a RBC Investment Savings Account that earns interest at 0.75% (2015 - 1.3%). Of this investment, \$2,376,503 (2015 - \$265,048) is externally restricted.

Externally restricted funds increased due to a significant donation. These funds will be expended by December 2016 as per the agreement with the donor.

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**4. Capital Assets**

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 105,824	\$ 76,472	\$ 101,363	\$ 65,386
Computers and software	132,588	110,769	128,913	102,204
Leasehold improvements	118,965	60,994	190,376	108,612
	<b>\$ 357,377</b>	<b>\$ 248,235</b>	<b>\$ 420,652</b>	<b>\$ 276,202</b>
Net book value		<b>\$ 109,142</b>		<b>\$ 144,450</b>

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**5. Accounts Payable and Accrued Liabilities**

Included in accounts payable and accrued liabilities are government remittances payable of \$24,583 (2015 - \$15,838).

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**Food Banks Canada**  
**Notes to Financial Statements**

**March 31, 2016**

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**6. Deferred Contributions**

	<b>2016</b>	<b>2015</b>
Donations received for office lease expense (Note 10)	<b>\$ 11,806</b>	\$ 114,081
Network conference registration fees received in advance	<b>-</b>	17,254
	<b>\$ 11,806</b>	\$ 131,335

The donation is being offset against the office lease expense over the term of the lease. The balance will be applied to April and May 2016 lease expenses.

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**7. Deferred Capital Contributions**

Deferred capital contributions represent the unamortized amount of the grant received for leasehold improvements and furniture additions.

	<b>2016</b>	<b>2015</b>
Balance, beginning of year	<b>\$ 96,850</b>	\$ 127,685
Less: Amounts recognized as revenue during the year	<b>28,481</b>	30,835
Balance, end of year	<b>\$ 68,369</b>	\$ 96,850

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**8. Internally Restricted Funds**

	<b>2016</b>	<b>2015</b>
Operating Reserve Fund	<b>\$ 700,000</b>	\$ 700,000
Disaster Relief Fund	<b>59,675</b>	59,675
	<b>\$ 759,675</b>	\$ 759,675

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## Food Banks Canada Notes to Financial Statements

**March 31, 2016**

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### 9. Distribution of Funds to Network

Funds received from the undernoted sources, together with proceeds from specific programs, have been distributed to Provincial Associations, Affiliate Food Banks and Non-affiliate Food Banks across Canada.

	<u>2016</u>	<u>2015</u>
Corporate Philanthropy and Cause Campaigns	\$ 2,767,157	\$ 2,191,471
Food Banks Canada National Grant Programs	498,963	308,537
National Campaigns and Initiatives	88,179	-
	<u>\$ 3,354,299</u>	<u>\$ 2,500,008</u>

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### 10. Commitments

The Organization entered into a new lease agreement commencing September 1, 2013. The lease term is 60 months, with an option to renew for two additional periods of five years each. Lease payments under the terms of the lease are as follows:

2017	\$ 102,600
2018	105,600
2019	44,000
	<u>\$ 252,200</u>

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### 11. Guarantees

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

- (a) 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.
- (b) 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.

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 action.

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## Food Banks Canada Notes to Financial Statements

March 31, 2016

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### 12. Financial Instrument Risks

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

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income savings investments.

#### *Credit Rate Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's credit risk is primarily attributable to its accounts and pledges receivable. The Organization manages this risk through proactive collection policies.

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### 13. Comparative Figures

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current year.