

Food Banks Canada
Financial Statements
For the year ended March 31, 2018

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Independent Auditor's Report

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, 2018 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Food Banks Canada as at March 31, 2018, and the results of the operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
May 16, 2018

Food Banks Canada
Statement of Financial Position

March 31	2018	2017
Assets		
Current		
Cash	\$ 273,117	\$ 846,534
Unrestricted investments (Note 3)	2,727,261	1,416,949
Externally restricted investments (Note 3)	6,590,848	3,918,763
Accounts receivable (Note 1)	246,183	378,052
Prepaid expenses	237,164	51,502
	10,074,573	6,611,800
Capital assets (Note 4)	68,865	91,480
	\$ 10,143,438	\$ 6,703,280

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 622,690	\$ 760,852
Deferred capital contributions (Note 6)	15,052	41,538
	637,742	802,390
Net assets		
General Fund		
Unrestricted	1,401,360	672,510
Invested in capital assets	53,813	49,942
Program reserve	300,000	300,000
Internally Restricted Funds (Note 7)	1,159,675	959,675
Externally Restricted Funds (Note 8a)	6,590,848	3,918,763
	9,505,696	5,900,890
	\$ 10,143,438	\$ 6,703,280

On behalf of the Board:

_____ Chair

_____ Treasurer

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

							2018	2017
	Unrestricted	Invested in Capital Assets	Program Reserve	Total General Fund	Internally Restricted Funds	Externally Restricted Funds	Total	Total
Revenue								
Corporate donations	\$ 1,987,697	\$ 26,486	\$ -	\$ 2,014,183	\$ -	\$ 1,333,188	\$ 3,347,371	\$ 2,689,231
Foundation grants	450,533	-	-	450,533	-	2,530,250	2,980,783	2,185,416
Individual donations	345,100	-	-	345,100	-	43,777	388,877	495,753
Provincial association fees	42,000	-	-	42,000	-	-	42,000	42,000
Other income	142,629	-	-	142,629	-	96,566	239,195	169,274
Designated donations for redistribution to the Network	-	-	-	-	-	8,533,198	8,533,198	5,887,105
Donated food products	-	-	-	-	-	23,824,624	23,824,624	24,702,308
	2,967,959	26,486	-	2,994,445	-	36,361,603	39,356,048	36,171,087
Expenses								
Programs								
Capacity building	-	-	-	-	-	307,536	307,536	120,342
Food acquisition and sharing	-	-	-	-	-	1,548,278	1,548,278	1,219,602
Network services and support	-	-	-	-	-	363,453	363,453	407,659
Research and advocacy	-	-	-	-	-	362,857	362,857	344,917
Designated funds redistributed to the Network (Note 8b)	-	-	-	-	-	7,282,770	7,282,770	5,398,551
Donated food products distributed to the Network	-	-	-	-	-	23,824,624	23,824,624	24,702,308
Total programs	-	-	-	-	-	33,689,518	33,689,518	32,193,379
Support services								
Administration	784,158	49,220	-	833,378	-	-	833,378	638,579
Fund development	1,228,346	-	-	1,228,346	-	-	1,228,346	793,869
Total support services	2,012,504	49,220	-	2,061,724	-	-	2,061,724	1,432,448
	2,012,504	49,220	-	2,061,724	-	33,689,518	35,751,242	33,625,827
Excess (deficiency) of revenue over expenses	955,455	(22,734)	-	932,721	-	2,672,085	3,604,806	2,545,260
Balance, beginning of year	672,510	49,942	300,000	1,022,452	959,675	3,918,763	5,900,890	3,355,630
Transfer of funds (Note 2)	(226,605)	26,605	-	(200,000)	200,000	-	-	-
Balance, end of year	\$ 1,401,360	\$ 53,813	\$ 300,000	\$ 1,755,173	\$ 1,159,675	\$ 6,590,848	\$ 9,505,696	\$ 5,900,890

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

Food Banks Canada Statement of Cash Flows

For the year ended March 31	2018	2017
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 3,604,806	\$ 2,545,260
Adjustments required to reconcile excess of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets	49,220	44,190
Amortization of deferred capital contributions	(26,486)	(26,831)
Changes in non-cash working capital balances		
Accounts receivable	131,869	(142,205)
Prepaid expenses	(185,662)	11,335
Accounts payable and accrued liabilities	(138,162)	347,534
Deferred contributions	-	(11,806)
	3,435,585	2,767,477
Investing activities		
Purchase of capital assets	(26,605)	(26,528)
Net purchases of investments	(3,982,397)	(2,274,686)
	(4,009,002)	(2,301,214)
Increase (decrease) in cash during the year	(573,417)	466,263
Cash, beginning of year	846,534	380,271
Cash, end of year	\$ 273,117	\$ 846,534

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

Food Banks Canada

Notes to Financial Statements

March 31, 2018

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 an entity 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. Due to 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 and consumer products with the Network through the National Food Sharing System.

The volume of food and consumer products acquired and distributed through the Corporate Donation Program of the National Food Sharing System was 9,163,317 pounds (2017 - 9,880,923 pounds) with a value of \$2.60 per pound (2017 - \$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 the Network. The Organization recognizes the donated food products in the period in which they are received and distributed to the 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.

Food Banks Canada

Notes to Financial Statements

March 31, 2018

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. Transaction costs are expensed for those items measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Food Banks Canada

Notes to Financial Statements

March 31, 2018

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. \$38,368 (2017 - \$261,025) 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.

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. During the year, there was a transfer of \$Nil (2017 - \$150,000) from the Unrestricted Fund.

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. During the year, there was a transfer of \$200,000 (2017 - \$200,000) from the Unrestricted Fund.

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.

Food Banks Canada Notes to Financial Statements

March 31, 2018

2. Description of Funds (continued)

Externally Restricted Funds

Donor Restricted Fund

The Donor Restricted Fund records designated funds received from donors for specific projects and funds for distribution to the Network.

3. Investments

Funds are invested as per the Food Banks Canada investment policy. Investments totaling \$9,318,109 (2017 - \$5,335,712) consist of funds invested in a RBC Investment Savings Account, TD money market account and various term deposits that earn interest between 1.55% and 1.78% (2017 - 0.75%). Of this investment, \$6,590,848 (2017 - \$3,918,763) is externally restricted by donors for specific initiatives to support the Network to be expended by the end of the 2019 fiscal year.

4. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 126,397	\$ 97,107	\$ 115,651	\$ 86,817
Computers and software	100,681	71,491	102,377	73,909
Leasehold improvements	118,965	108,580	118,965	84,787
	\$ 346,043	\$ 277,178	\$ 336,993	\$ 245,513
Net book value		\$ 68,865		\$ 91,480

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$22,265 (2017 - \$29,100).

Food Banks Canada
Notes to Financial Statements

March 31, 2018

6. Deferred Capital Contributions

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

	2018	2017
Balance, beginning of year	\$ 41,538	\$ 68,369
Less: Amounts recognized as revenue during the year	26,486	26,831
Balance, end of year	\$ 15,052	\$ 41,538

7. Internally Restricted Funds

	2018	2017
Operating Reserve Fund	\$ 1,100,000	\$ 900,000
Disaster Relief Fund	59,675	59,675
	\$ 1,159,675	\$ 959,675

8. Externally Restricted Funds

a) *Externally Restricted Funds*

	2018	2017
Corporate Philanthropy and Cause Campaigns	\$ 3,351,484	\$ 1,858,996
Food Banks Canada National Grant Programs	3,097,370	1,923,000
National Campaigns and Initiatives	141,994	136,767
	\$ 6,590,848	\$ 3,918,763

b) *Designated Funds for Redistribution to the Network*

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

	2018	2017
Corporate Philanthropy and Cause Campaigns	\$ 3,595,874	\$ 3,600,478
Food Banks Canada National Grant Programs	3,538,119	1,674,447
National Campaigns and Initiatives	148,777	123,626
	\$ 7,282,770	\$ 5,398,551

Food Banks Canada Notes to Financial Statements

March 31, 2018

9. Commitments

The Organization entered into a lease agreement commencing September 1, 2013. The lease term is 60 months, with lease payments under the terms of the lease ending in fiscal 2019 for \$44,000. See Note 13.

10. 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.

11. Financial Instrument Risks

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 polices.

These risks have not changed from the prior year.

Food Banks Canada
Notes to Financial Statements

March 31, 2018

12. Contingencies

The Organization, from time to time, is subject to various legal proceedings and claims. Management is of the view that these will not have a material adverse effect on its results of operations.

13. Subsequent Event

Subsequent to year end, the Organization entered into a new lease agreement commencing October 1, 2018. The lease term is 72 months. Minimum annual lease payments, including additional rent for estimated maintenance and operating costs, for the next five years and thereafter are as follows:

2019	\$ 98,978
2020	197,955
2021	201,268
2022	204,580
2023	207,892
Thereafter	<u>316,807</u>
	<u>\$ 1,227,480</u>