

Financial statements of

**Food Banks Canada**

March 31, 2015

# Food Banks Canada

March 31, 2015

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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, 2015, 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 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 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, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, deficiency of revenue over expenses and cash flows from operations for the years ended March 31, 2015 and March 31, 2014, current assets as at March 31, 2015 and 2014 and net assets as at April 1, 2013 and 2014, and March 31, 2015 and 2014.

### **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, 2015, 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.

*Deloitte LLP*

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
May 19, 2015

# Food Banks Canada

## Statement of financial position

### as at March 31, 2015

	2015	2014
	\$	\$
<b>Assets</b>		
Current		
Cash	361,390	113,731
Investments (Note 4)	1,154,003	1,738,374
Accounts receivable	211,478	348,055
Prepaid expenses	105,948	55,963
	<b>1,832,819</b>	<b>2,256,123</b>
Capital assets (Note 5)	144,450	180,010
	<b>1,977,269</b>	<b>2,436,133</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	361,488	450,965
Deferred contributions (Note 7)	131,335	224,362
	<b>492,823</b>	<b>675,327</b>
Deferred capital contribution (Note 8)	96,850	127,685
	<b>589,673</b>	<b>803,012</b>
<b>Net assets</b>		
General Fund		
Unrestricted	15,273	133,465
Invested in capital assets	47,600	52,325
Program reserve	300,000	-
Internally Restricted Funds	759,675	1,274,075
Externally Restricted Funds	265,048	173,256
	<b>1,387,596</b>	<b>1,633,121</b>
	<b>1,977,269</b>	<b>2,436,133</b>

\_\_\_\_\_ Chair of the Board

\_\_\_\_\_ Treasurer

The accompanying notes to the financial statements are an integral part of this financial statement.

# Food Banks Canada

## Statement of operations year ended March 31, 2015

	2015				2014			
	General Funds	Internally Restricted Funds	Externally Restricted Funds	Total	General Funds	Internally Restricted Funds	Externally Restricted Funds	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Corporate donations	1,119,952	-	1,010,048	2,130,000	1,149,197	-	1,152,168	2,301,365
Fundraising initiatives	25,000	-	-	25,000	47,413	-	-	47,413
Foundation grants	16,728	-	45,707	62,435	59,625	-	20,000	79,625
Individual donations	315,739	-	60,000	375,739	282,504	-	-	282,504
Interest	15,629	-	-	15,629	12,933	-	-	12,933
Provincial association fees	42,000	-	-	42,000	41,797	-	-	41,797
Other income	8,061	-	8,000	16,061	5,490	-	24,827	30,317
Operating revenue	1,543,109	-	1,123,755	2,666,864	1,598,959	-	1,196,995	2,795,954
Revenue for redistribution to Network	-	-	2,625,291	2,625,291	-	-	2,423,775	2,423,775
	1,543,109	-	3,749,046	5,292,155	1,598,959	-	3,620,770	5,219,729
Donated food products	-	-	31,992,205	31,992,205	-	-	38,793,420	38,793,420
	1,543,109	-	35,741,251	37,284,360	1,598,959	-	42,414,190	44,013,149
<b>Expenses</b>								
Programs								
Food acquisition and sharing	-	200,000	451,631	651,631	69,194	200,000	461,916	731,110
Network services and support	-	-	563,679	563,679	161,342	-	402,022	563,364
Research and advocacy	174,679	14,400	141,936	331,015	223,290	-	71,269	294,559
	174,679	214,400	1,157,246	1,546,325	453,826	200,000	935,207	1,589,033
Designated donations redistributed to Network (Note 9)	-	-	2,500,008	2,500,008	-	-	2,363,599	2,363,599
	174,679	214,400	3,657,254	4,046,333	453,826	200,000	3,298,806	3,952,632
Donated food products distributed to Network	-	-	31,992,205	31,992,205	-	-	38,793,420	38,793,420
Total program services	174,679	214,400	35,649,459	36,038,538	453,826	200,000	42,092,226	42,746,052
Support services								
Administration	597,852	-	-	597,852	351,418	-	122,769	474,187
Fund development	893,495	-	-	893,495	616,179	-	307,907	924,086
Total support services	1,491,347	-	-	1,491,347	967,597	-	430,676	1,398,273
	1,666,026	214,400	35,649,459	37,529,885	1,421,423	200,000	42,522,902	44,144,325
<b>Excess (deficiency) of revenue over expenses</b>	<b>(122,917)</b>	<b>(214,400)</b>	<b>91,792</b>	<b>(245,525)</b>	<b>177,536</b>	<b>(200,000)</b>	<b>(108,712)</b>	<b>(131,176)</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Food Banks Canada

Statement of changes in net assets  
year ended March 31, 2015

										2015	2014
	General Fund			Internally Restricted					Externally Restricted		
	Unrestricted	Program Reserve Fund	Invested in capital assets	Operating Reserve Fund	Special Projects Fund	Stephan and Sophie Lewar Fund	Disaster Relief Fund	Total	Donor Restricted Fund	Total	Total
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balances, beginning of year</b>	<b>133,465</b>	-	<b>52,325</b>	<b>1,000,000</b>	<b>14,400</b>	<b>200,000</b>	<b>59,675</b>	<b>1,274,075</b>	<b>173,256</b>	<b>1,633,121</b>	<b>1,764,297</b>
Deficiency of revenue over expenses for the year	(105,045)	-	(17,872)	-	(14,400)	(200,000)	-	(214,400)	91,792	(245,525)	(131,176)
Interfund transfer (Note 13)	-	300,000	-	(300,000)	-	-	-	(300,000)	-	-	-
Purchase of capital assets	(13,147)	-	13,147	-	-	-	-	-	-	-	-
<b>Balances, end of year</b>	<b>15,273</b>	<b>300,000</b>	<b>47,600</b>	<b>700,000</b>	<b>-</b>	<b>-</b>	<b>59,675</b>	<b>759,675</b>	<b>265,048</b>	<b>1,387,596</b>	<b>1,633,121</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Food Banks Canada

## Statement of cash flow as at March 31, 2015

	2015	2014
	\$	\$
<b>Operating activities</b>		
Deficiency of revenue over expenses	(245,525)	(131,176)
Item not affecting cash		
Amortization of deferred capital contributions	(30,835)	(37,465)
Amortization	48,707	57,401
	(227,653)	(111,240)
Changes in non-cash working capital items		
Accounts receivable	136,577	149,247
Prepaid expenses	(49,985)	(4,654)
Accounts payable and accrued liabilities	(89,477)	70,327
Deferred contributions	(93,027)	212,346
	(323,565)	316,026
<b>Investing activities</b>		
Net sales (purchases) of investments	584,371	(208,739)
Purchase of capital assets	(13,147)	(164,091)
	571,224	(372,830)
<b>Financing activity</b>		
Deferred capital contribution	-	165,150
Net cash inflow	247,659	108,346
Cash, beginning of year	113,731	5,385
<b>Cash, end of year</b>	<b>361,390</b>	<b>113,731</b>

The accompanying notes to the financial statements are an integral part of this financial statement.



# Food Banks Canada

## Notes to the financial statements

March 31, 2015

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### 1. Purpose of the Organization

Food Banks Canada (the "Organization") is the national organization representing and supporting the food bank community 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 Canada Revenue Agency and therefore is exempt from income taxes.

### 2. Significant accounting policies

#### *Financial statement presentation*

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations published by CPA Canada using the restricted fund method of accounting for restricted contributions.

Outlined below are those policies considered to be 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 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 12,796,882 pounds (2014 - 15,517,368 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 as Donated food products and offsetting Donated food products distributed to Membership. 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. 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.

#### *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:

Computers and software	30% declining balance basis
Furniture and equipment	30% declining balance basis
Leasehold improvements	Over the term of the lease

# Food Banks Canada

## Notes to the financial statements

March 31, 2015

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### 2. Significant accounting policies (continued)

#### *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 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, allowance for doubtful accounts, and the value of donated food products.

#### *Financial instruments*

Financial assets and financial liabilities are initially recognized at a 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.

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.

#### *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.

#### *Pledges receivable*

Pledges are recognized as receivable when the amount can be reasonably estimated and ultimate collection is reasonably assured.

#### *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.

### 3. 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 capital grant.

##### c) Program Reserve Fund

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

# Food Banks Canada

## Notes to the financial statements

March 31, 2015

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### 3. Description of funds (continued)

#### *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) 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.

### 4. Investments

Investments are comprised of the following:

	<b>2015</b>	
	<b>Fair value</b>	<b>Interest rate</b>
	\$	%
RBC Investment savings account	<b>1,154,003</b>	<b>1.3</b>
	<b>2014</b>	
	<b>Fair value</b>	<b>Interest rate</b>
	\$	%
RBC Investment savings account	1,738,374	1.3

# Food Banks Canada

## Notes to the financial statements

March 31, 2015

### 5. Capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	101,363	65,386	35,977	51,395
Computers and software	128,913	102,204	26,709	27,100
Leasehold improvements	190,376	108,612	81,764	101,515
	<b>420,652</b>	<b>276,202</b>	<b>144,450</b>	<b>180,010</b>

### 6. Accounts payable and accrued liabilities

There were no amounts outstanding with respect to government remittances as at March 31, 2015 and 2014.

### 7. Deferred contributions

Deferred contributions consist of:

	2015	2014
	\$	\$
Canadian Vitamins Class Action settlement	-	8,004
Donation received from Kraft Foods for office lease expense (Note 10)	114,081	216,358
Network conference registration fees received in advance	17,254	-
	<b>131,335</b>	<b>224,362</b>

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 donation from Kraft Foods is being offset against the office lease expense over the term of the lease.

### 8. Deferred capital contributions

	2015	2014
	\$	\$
Balance beginning of year	127,685	-
Amount received during the year	-	165,150
Less: Amount recognized as revenue during the year	30,835	37,465
	<b>96,850</b>	<b>127,685</b>

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

# Food Banks Canada

## Notes to the financial statements

March 31, 2015

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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.

	2015	2014
	Externally Restricted Funds	Externally Restricted Funds
	\$	\$
7-Eleven Canada Inc.	50,000	-
Arby's	1,769	39,348
Capacity building	108,511	97,933
Community Kitchen	118,962	150,237
Constellation Brands	30,000	-
Feeding families	-	41,505
Green Shield Canada	-	30,000
Help Hunger Disappear Program	-	28,546
Kraft Foods	-	70,000
Loblaw Companies	2,012,726	1,658,830
Northern Food Fund	20,000	-
Rural Support program	61,064	13,000
Target Corporation	-	141,210
Turkey Farmers of Canada	47,501	52,169
Walmart Canada	-	30,315
Designated donations from individuals and Other	49,475	10,506
	<b>2,500,008</b>	<b>2,363,599</b>

### 10. Commitments

The Organization entered in to 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:

	\$
Year ending March 31, 2016	98,400
Year ending March 31, 2017	102,600
Year ending March 31, 2018	105,600
Year ending March 31, 2019	44,000
	<b>350,600</b>

# Food Banks Canada

## Notes to the financial statements

March 31, 2015

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### 10. Commitments (continued)

The Organization received a donation from Kraft Foods for the above-noted office lease expense (Note 7). The balance of \$ 114,081 as at March 31, 2015 will be applied as follows:

March 31, 2016	98,400
March 31, 2017	15,681
	<hr/>
	114,081

### 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.

### 12. 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. However, the risk associated with investments is reduced to a minimum since these assets are invested in guaranteed investment certificates.

#### *Credit rate risk*

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

#### *Liquidity risk*

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The Organization manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

Accounts payable and accrued liabilities are generally repaid within 30 days.

# Food Banks Canada

Notes to the financial statements

March 31, 2015

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**13. Inter-fund transfer**

During the year ended March 31, 2015, the Board approved a transfer of \$300,000 from the Operating reserve fund to the Program reserve Fund.

**14. Comparative figures**

An amount of \$258,355 has been re-classified in the Statement of Operations from Public education and awareness expense in 2014 to Fund development expense to conform to the current year's presentation.