
DAILY BREAD FOOD BANK

FINANCIAL STATEMENTS

MARCH 31, 2015



Saeed & Company
Chartered Accountant Professional Corporation



INDEPENDENT AUDITOR'S REPORT

To the Members of
Daily Bread Food Bank:

We have audited the accompanying financial statements of Daily Bread Food Bank, which comprise the statement of financial position as at March 31, 2015, 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 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, Daily Bread Food Bank derives revenues from the general public in the form of monetary donations and donated food, the completeness and valuation 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 the Organization and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenditures and cash flows from operations for the years ended March 31, 2015 and 2014, assets as at March 31, 2015 and 2014 and net assets as at March 31, 2015, March 31, 2014 and April 1, 2013.

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 the Organization as 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.



SAEED & COMPANY
CHARTERED ACCOUNTANT PROFESSIONAL CORPORATION
Authorized to practice public accounting by
The Chartered Professional Accountants of Ontario

Toronto, Ontario
September 15, 2015



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DAILY BREAD FOOD BANK

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STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2015

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2015 Total	2014 Total
ASSETS						
Current:						
Cash	\$ 196,729	\$ -	\$ -	\$ -	\$ 196,729	\$ 66,171
Short-term investments (note 3)	1,392,387	884,123	61	1,722,839	3,999,410	3,670,586
Accounts receivable	116,435	60	-	-	116,495	166,441
Inventory	-	184,709	-	-	184,709	103,750
Prepaid expenses	170,641	1,566	-	-	172,207	149,659
	1,876,192	1,070,458	61	1,722,839	4,669,550	4,156,607
Long-term investments (note 4)	1	-	-	-	1	1
Capital assets (note 5)	4,728,790	-	-	-	4,728,790	4,877,101
	\$ 6,604,983	\$ 1,070,458	\$ 61	\$ 1,722,839	\$ 9,398,341	\$ 9,033,709
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 267,277	\$ 46,998	\$ 61	\$ -	\$ 314,336	\$ 280,778
Deferred contributions (note 6)	141,233	-	-	-	141,233	125,215
	408,510	46,998	61	-	455,569	405,993
Long term liabilities:						
Deferred contributions, capital (note 6)	298,411	-	-	-	298,411	326,028
Total liabilities	706,921	46,998	61	-	753,980	732,021
Net assets:						
Unrestricted operating fund	5,898,062	-	-	-	5,898,062	6,215,211
Food fund	-	1,023,460	-	-	1,023,460	500,002
Community action fund	-	-	-	-	-	9,424
Building reserve fund	-	-	-	1,722,839	1,722,839	1,577,051
	5,898,062	1,023,460	-	1,722,839	8,644,361	8,301,688
	\$ 6,604,983	\$ 1,070,458	\$ 61	\$ 1,722,839	\$ 9,398,341	\$ 9,033,709

See accompanying notes to the financial statements.

Approved by the Board:

[Signature]

Director

[Signature]

Director

DAILY BREAD FOOD BANK

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2015

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2015 Total	2014 Total
Revenues:						
Monetary donations	\$ 5,327,683	\$ 1,377,873	\$ -	\$ -	\$ 6,705,556	\$ 6,355,315
Bequests	111,520	-	-	-	111,520	195,111
Designated program grants	296,251	-	-	-	296,251	409,703
Government grants	102,354	250,000	-	-	352,354	413,302
Fee-for-service revenues	189,496	-	-	-	189,496	157,248
Investment income	31,848	-	-	26,650	58,498	46,918
Other income	55,943	-	-	-	55,943	35,591
	6,115,095	1,627,873	-	26,650	7,769,618	7,613,188
Donated food	-	6,407,716	-	-	6,407,716	5,489,212
	6,115,095	8,035,589	-	26,650	14,177,334	13,102,400
Expenses:						
Food distribution operations	1,682,176	-	-	-	1,682,176	1,600,522
Food preparation and purchases	1,118,937	1,115,288	-	-	2,234,225	2,586,840
Member agency support	734,433	-	120,673	-	855,106	803,614
Kitchen training program	317,930	-	-	-	317,930	300,269
Research and public policy	505,275	-	-	-	505,275	502,950
Fundraising and food solicitation	968,671	-	-	-	968,671	1,100,600
Administration	863,562	-	-	-	863,562	423,337
	6,190,984	1,115,288	120,673	-	7,426,945	7,318,132
Distribution of donated food	-	6,407,716	-	-	6,407,716	5,489,212
	6,190,984	7,523,004	120,673	-	13,834,661	12,807,344
Excess (deficiency) of revenues over expenses	(75,889)	512,585	(120,673)	26,650	342,673	295,056
Net assets, beginning of year	6,215,211	500,002	9,424	1,577,051	8,301,688	8,006,632
Purchase of capital assets charged to Building reserve fund (note 12)	20,750	-	-	(20,750)	-	-
Approved Board allocations	(262,010)	10,873	111,249	139,888	-	-
Net assets, end of year	\$ 5,898,062	\$ 1,023,460	\$ -	\$ 1,722,839	\$ 8,644,361	\$ 8,301,688

See accompanying notes to the financial statements.



DAILY BREAD FOOD BANK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
Operating activities:		
Excess of revenues over expenses	\$ 342,673	\$ 295,056
Adjusted for non-cash items:		
Amortization	278,387	309,235
Gain on disposal of capital assets	(2,500)	(2,400)
	618,560	601,891
Net change in non-cash working capital balances (note 8)	(3,985)	(329,215)
Cash provided by operating activities	614,575	272,676
Financing activities:		
Decrease in deferred contributions, capital	(27,617)	(96,259)
Cash used in financing activities	(27,617)	(96,259)
Investing activities:		
Purchases on capital assets	(130,076)	(77,649)
Net (purchases) sales of short-term investments	(328,824)	(146,712)
Proceeds on disposition of capital assets	2,500	2,400
Cash used in investing activities	(456,400)	(221,961)
Net increase (decrease) in cash during the year	130,558	(45,544)
Cash, beginning of year	66,171	111,715
Cash, end of year	\$ 196,729	\$ 66,171

See accompanying notes to the financial statements.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

1. Organization:

Daily Bread Food Bank (the "Organization") was incorporated under the Canada Business Corporations Act on October 19, 1983 and continued under Articles of Continuance on January 15, 2013. These articles of continuance changed the name of the Organization from The Daily Bread Food Bank Foundation of Toronto to Daily Bread Food Bank. It is a registered charity under the Income Tax Act of Canada (the "Act"), and as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements of the Act.

The Organization's objective is to alleviate hunger and help fight the underlying poverty that causes hunger. This is done through the solicitation, purchase, preparation and distribution of food to those in need via member agencies that directly serve clients. It is also accomplished through research, education, and advocating for improved government policies to eliminate poverty. In addition, the Organization supports the establishment and running of member food banks across Toronto, and runs a kitchen training program.

The Organization acts as a distribution hub for the Ontario Association of Food Banks in the distribution of food in Ontario.

The funding has been primarily through voluntary contributions and grants from members of the public, corporations, and charitable foundations. The Organization also receives funding from the City of Toronto to purchase food to be distributed to drop-in centres across Toronto.

2. Summary of significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook using the restricted fund method of accounting for restricted contributions. Outline below are those policies considered particularly significant.

(a) Revenue recognition

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

Government and other grants are recognized on an accrued basis and deferred until earned. Government grants relating to capital assets are deferred in an amount equal to the undepreciated cost of the related capital assets.

Investment income is recognized as earned.



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

2. Summary of significant accounting policies: (cont'd)

(b) Donated goods and services

The value of volunteer time is not recorded in the financial statements because of the difficulty of determining its fair value.

Donated food is recognized as revenue on the statement of operations when distributed to members at the value approximating the average wholesale value. To determine this value, each food category is priced separately which may result in different values from year to year as the composition of donated food varies. Current year value was calculated at \$0.88 per pound (\$0.79 in 2014).

Donations of physical capital assets are recorded at fair value at the date of contribution.

(c) Fund accounting

Unrestricted operating fund

The Operating Fund records the operating activities of the Organization.

Restricted funds

(i) Food Fund

All donations designated by donors for the acquisition of food are allocated to the Food Fund and the majority of food expenditures are made from this fund. Additional monies are also transferred to the fund as necessary to maintain an adequate balance.

(ii) Community Action Fund

Donations designated for community support are allocated to the Community Action Fund. Grants awarded to member agencies and direct agency operating costs are provided from this fund in support of their food banks.

(iii) Building Reserve Fund

During a previous year, management commissioned a study to estimate expenditures required to maintain the building and to provide a means of leveling large maintenance charges to the Operating Fund. The study recommended setting up a Building Reserve Fund with an initial capitalization of \$1,285,463 and future annual contributions of \$103,572 plus any amount required to bring interest revenues up to the study's assumed rate of return of 4%. The Board of Directors has implemented these recommendations.

(d) Inventory

Food which has been purchased from suppliers but not yet distributed to member agencies, is recorded on the statement of financial position at the lower of cost and net realizable value. The cost of inventory is determined on a first-in, first-out basis. As donated food has no net realizable value, it is not included in the inventory balance.



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

2. Summary of significant accounting policies: (cont'd)

(e) Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use or its fair market value in the case of donated assets.

The assets are amortized over their estimated useful lives at the following annual rates:

Building structure	- 40 years, straight line basis
Building, non-structure	- 25 years, straight line basis
Kitchen equipment	- 6 years, straight line basis
Warehouse equipment	- 5-10 years, straight line basis
Automotive equipment	- 6 years, straight line basis
Computer and office equipment	- 5-10 years, straight line basis

Amortization commences in the month of acquisition of the asset.

(f) Financial instruments

Financial assets and financial liabilities are initially measured at fair value adjusted by the amount of transaction costs directly attributable to the instrument. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The fair value of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

The long-term investment is carried at a nominal value, which in the opinion of management, approximates its fair value.

At the end of each reporting period the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired.

(g) Cash

Cash excludes guaranteed investment certificates, which are classified as short-term investments in accordance with the Organization's policy.



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

2. Summary of significant accounting policies: (cont'd)

(h) Allocation of expenses

The Organization reports its operating costs by function. Many cost centres work for a single function and are appropriately allocated. Certain costs pertain to more than one function and these are allocated as follows:

- (i) When a staff member spends part of their time on different functions the policy is to apportion the relevant salary and associated costs in proportion to the amount of time spent on each function.
- (ii) The expenses within the kitchen operation have been charged 50% to food preparation and 50% to training, which reflects the two-fold operation of the kitchen and the approximate cost of performing each of the functions.
- (iii) Common and support expenses such as facilities maintenance, computer services, staff and volunteer management have also been allocated as follows:

<u>Expense</u>	<u>Basis of allocation</u>
Facilities maintenance	Square footage of space used
Computer systems	Network administration, by time spent, hardware and software, by cost
Human resources management	Headcount
Volunteer management	Volunteer labour hours
Central services	Usage of reception and office equipment

(i) Use of estimates

The preparation of these financial statements in conformity 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Items for which estimates were used are capital assets (amortization), accrued liabilities and allowance for doubtful accounts. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

3. Short-term investments:

Short-term investments primarily consist of guaranteed investment certificates and bonds. The short-term investments are yielding interest from 1.47% to 3.85% and maturing within one year.



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4. Long-term investment:

The Organization received a donation in a prior year of \$100,000 designated by the donor solely for the purchase of 1,000 preference shares in a co-operative which operates a wind turbine for the purpose of generating electricity. Members of the co-operative known as TREC WindPower Co-operative (No.1) Incorporated are to receive a portion of the revenue generated by the sale of the wind generated electricity. The Organization is restricted by the membership agreement in its ability to resell the investment other than back to the co-operative unless certain conditions are met. During the 2008, fiscal year it became clear the investment had declined significantly in value and the Board of Directors decided to write the investment down to \$1.

5. Capital assets:

	Cost	Accumulated Amortization	Net 2015	Net 2014
Land	\$ 871,388	\$ -	\$ 871,388	\$ 871,388
Building	4,850,752	1,338,958	3,511,794	3,624,222
Warehouse equipment	872,139	764,880	107,259	40,357
Automotive	663,624	509,718	153,906	228,480
Kitchen equipment	39,672	33,211	6,461	10,417
Computer and office equipment	596,965	518,983	77,982	102,237
	\$ 7,894,540	\$ 3,165,750	\$ 4,728,790	\$ 4,877,101

Of the total Unrestricted Operating Fund balance of \$5,898,062 (2014 - \$6,215,211), the amount invested in capital assets is \$4,430,379 (2014 - \$4,551,073):

	2015	2014
Total investment in capital assets	\$ 4,728,790	\$ 4,877,101
Less: amount funded by deferred contributions	(298,411)	(326,028)
Unrestricted Operating Fund invested in capital assets	\$ 4,430,379	\$ 4,551,073

Amortization of capital assets is included on the statement of operations and changes in net assets in the following expense categories:

	2015	2014
Food distribution operations	\$ 167,443	\$ 178,882
Food preparation and purchases	66,467	71,186
Member agency support	11,705	15,620
Kitchen training program	8,499	9,536
Research and public policy	5,813	8,152
Fundraising and food solicitation	12,148	17,424
Administration	6,312	8,435
	\$ 278,387	\$ 309,235



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6. Deferred contributions:

All of the deferred contributions to the Organization have been externally designated for a specific use. These amounts are recognized as revenue as the related program expenses are incurred. Deferred contributions related to capital assets are shown as long-term on the Statement of Financial Position. The long-term deferred contributions are recognized as income as the related assets are amortized. Changes in deferred contributions are as follows:

	Current	Capital	Total 2015	Total 2014
Beginning balance	\$ 125,215	\$ 326,028	\$ 451,243	\$ 630,146
Add: grants received	165,000	55,000	220,000	419,400
	290,215	381,028	671,243	1,049,546
Less: contributions recognized as revenue	(148,982)	(82,617)	(231,599)	(598,303)
Ending balance	\$ 141,233	\$ 298,411	\$ 439,644	\$ 451,243

7. Allocation of expenses:

Common and support expenses totaled \$1,301,188 for the year (2014 - \$1,202,534) and have been allocated as follows:

	2015	2014
Food distribution operation	\$ 469,649	\$ 424,395
Food preparation and purchases	475,800	425,369
Member agency support	132,626	128,713
Kitchen training program	52,883	48,290
Research and public policy	37,395	38,860
Fundraising and food solicitation	86,659	90,939
Administration	46,176	45,968
	\$1,301,188	\$ 1,202,534

8. Changes in non-cash working capital:

Cash provided by (applied to) changes in other working capital components is summarized as follows:

	2015	2014
(Increase) decrease in current assets:		
Accounts receivable	\$ 49,946	\$ (48,128)
Inventory	(80,959)	85,632
Prepaid expenses	(22,548)	(22,045)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	33,558	(262,030)
Deferred contributions	16,018	(82,644)
	\$ (3,985)	\$ (329,215)



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

9. Commitments:

The Organization is committed under operating leases for equipment with the following minimum annual rental payments:

June 30, 2015	\$	4,560
June 30, 2016		17,800
June 30, 2017		17,800
June 30, 2018		17,800
June 30, 2019		17,800
Thereafter		22,391

\$ 98,151

10. Financial instruments and risk management

The Organization is exposed to various risks through its financial instruments. The Board of Directors monitors compliance with risk management policies and reviews risk management procedures on an annual basis.

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The risk is primarily attributable to accounts receivable and short-term investments. Management believes concentrations of credit risk with respect to accounts receivable is limited due to the credit quality of the parties extended credit. The short-term investments are invested with large financial institutions.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Organization manages the interest risk exposure of its fixed-income investments by investing in instruments with varying terms to maturity. The range of maturities contained in the portfolio reduces the overall sensitivity to interest rate changes.

The Organization's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Organization manages its exposure to the interest risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the results of operations.

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund its obligations as they come due.

The Organization meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and by holding assets that can be readily converted into cash.



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

11. Disclosures in compliance with Imagine Canada's Standards Program:

During the 2012 fiscal year, the Organization applied for certification under Imagine Canada's new "Standards Program" for Canada's Charities and Nonprofits sector. Accreditation was confirmed on May 8, 2012. During the 2015 fiscal year the Organization issued \$5,240,333 (2014 - \$5,073,931) of charitable tax receipts. During this same period the Organization spent \$5,513,398 (2014 - \$5,778,429) of its monetary resources on activities which are "charitable activities" as defined by the Canada Revenue Agency. In addition during the year the Organization distributed approximately 7.3 million (2014 - 6.9 million) pounds of donated food to its member agencies and other programs. Including purchased food, a total of approximately 8.8 million (2014 - 8.8 million) pounds were distributed during the year.

While management has included donated food in these financial statements at its estimated wholesale value of \$0.88 per pound (note 2b), in 2012 Food Banks Canada had a third party prepare a national food cost survey that determined the weighted average retail value of food to be \$2.50 per pound. Based on this, the total benefit to clients including both purchased and donated food was approximately \$21.9 million (2014 - \$22.0 million).

12. Building Reserve Fund:

The Reserve Fund Study performed in 2008 forecast some significant expenditures to maintain the assets of the Organization. During 2015, these expenditures amounted to \$20,750 (2014 - \$21,729) and were funded by the Building Reserve Fund in accordance with its mandate.

13. Comparative figures:

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

