

Daily Bread Food Bank
Financial Statements
For the year ended June 30, 2019

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Independent Auditor's Report

To the Members of Daily Bread Food Bank

Opinions

We have audited the financial statements of Daily Bread Food Bank (the Organization), which comprise the statement of financial position as at June 30, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Unmodified Opinion on the Financial Position

In our opinion, the accompanying statement of financial position presents fairly, in all material respects, the financial position of the Organization as at June 30, 2019 in accordance with Canadian accounting standards for not-for-profit organizations.

Qualified Opinion on the Results of Operations and Cash Flows

In our opinion, except for the possible effects on the comparative information of the matter described in the *Basis for Opinions, Including Basis for Qualified Opinion on the Results of Operations and Cash Flows* section of our report, the accompanying statements of operations and changes in net assets and cash flows present fairly, in all material respects, the results of operations and cash flows of the Organization for the year ended June 30, 2019 in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinions, Including Basis for Qualified Opinion on the Results of Operations and Cash Flows

The Organization derives revenue from donations and donated food. The predecessor auditor was not able to verify the completeness of donations and donated food. As a result, the verification of this revenue was limited by the predecessor auditor to the amounts recorded in the records of the Organization. Since donation revenue affects the determination of the results of operations and cash flows, the predecessor auditor was unable to determine whether adjustments to the results of operations and cash flows might be necessary for 2018. The predecessor auditor's opinion on the financial statements for the year ended June 30, 2018 was modified accordingly because of the possible effects of this limitation in scope, as well as the limitation in scope relating to the completeness of donated food. As a result, our opinion on the current year's results of operations and cash flows is modified because of the possible effects of the scope limitation on donation revenue on the comparability of the current year's figures and the comparative information.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the financial position and our qualified audit opinion on the results of operations and cash flows.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 11 to the financial statements, which explains that certain comparative information presented for the year ended June 30, 2018 has been restated. The financial statements for the year ended June 30, 2018 (prior to the adjustments that were applied to restate certain comparative information explained in Note 11) were audited by another auditor who expressed a qualified opinion on those financial statements on October 18, 2018 for the reasons described in the *Basis for Opinions, Including Basis for Qualified Opinion on the Results of Operations and Cash Flows* section. Our opinion is not further modified in respect of this matter.

Independent Auditor's Report (continued)

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
October 1, 2019

**Daily Bread Food Bank
Statement of Financial Position**

June 30

2019

2018

	Operating Fund	Food Fund	Building Reserve Fund	Total	Total
Assets					
Current					
Cash	\$ 286,296	\$ -	\$ -	\$ 286,296	\$ 1,170,915
Short-term investments (Note 2)	2,419,957	-	-	2,419,957	3,466,181
Receivables	306,171	-	-	306,171	297,180
Inventory	-	67,351	-	67,351	68,769
Prepaid expenses	184,100	11,911	-	196,011	216,815
	3,196,524	79,262	-	3,275,786	5,219,860
Capital assets (Note 3)	7,464,403	-	-	7,464,403	5,558,023
	\$ 10,660,927	\$ 79,262	\$ -	\$ 10,740,189	\$ 10,777,883
Liabilities and Net Assets					
Current					
Accounts payable and accrued liabilities (Note 4)	\$ 468,901	\$ 79,262	\$ -	\$ 548,163	\$ 569,327
Deferred contributions (Note 5)	199,333	-	-	199,333	374,825
	668,234	79,262	-	747,496	944,152
Deferred capital contributions (Note 5)	869,302	-	-	869,302	893,728
	1,537,536	79,262	-	1,616,798	1,837,880
Net assets					
Operating fund	9,123,391	-	-	9,123,391	8,036,407
Building reserve fund	-	-	-	-	903,596
	9,123,391	-	-	9,123,391	8,940,003
	\$ 10,660,927	\$ 79,262	\$ -	\$ 10,740,189	\$ 10,777,883

On behalf of the Board:



Director



Director

The accompanying notes are an integral part of these financial state

Daily Bread Food Bank
Statement of Operations and Changes in Net Assets

For the year ended June 30

				2019	2018
	Operating Fund	Food Fund	Building Reserve Fund	Total	Total
Revenue					(Restated Note 11)
Monetary donations	\$ 8,230,035	\$ 230,957	\$ -	\$ 8,460,992	\$ 8,432,152
Bequests	153,836	-	-	153,836	316,257
Designated program grants	301,119	-	-	301,119	117,318
Government grants	80,501	161,600	-	242,101	413,577
Fee-for-service revenues	190,157	-	-	190,157	205,309
Investment income	42,534	-	11,413	53,947	50,826
Other income	97,628	76,857	-	174,485	131,531
	9,095,810	469,414	11,413	9,576,637	9,666,970
Donated food (Note 1)	-	20,808,151	-	20,808,151	18,929,588
	9,095,810	21,277,565	11,413	30,384,788	28,596,558
Expenses					
Food distribution operations	2,168,734	-	-	2,168,734	2,044,347
Food preparation and purchases	907,775	1,849,898	-	2,757,673	2,771,922
Member agency support	823,021	-	-	823,021	847,678
Kitchen	232,629	-	-	232,629	204,852
Research and public policy	615,517	-	-	615,517	476,732
Fundraising	1,758,851	-	-	1,758,851	1,967,180
Administration	1,036,824	-	-	1,036,824	1,003,686
	7,543,351	1,849,898	-	9,393,249	9,316,397
Distribution of donated food (Note 1)	-	20,808,151	-	20,808,151	18,929,588
	7,543,351	22,658,049	-	30,201,400	28,245,985
Excess (deficiency) of revenue over expenses	1,552,459	(1,380,484)	11,413	183,388	350,573
Net assets, beginning of year	8,036,407	-	903,596	8,940,003	8,589,430
Transfer of funds for capital assets charged to Building Reserve Fund (Note 10)	912,879	-	(912,879)	-	-
Approved board transfers	(1,378,354)	1,380,484	(2,130)	-	-
Net assets, end of year	\$ 9,123,391	\$ -	\$ -	\$ 9,123,391	\$ 8,940,003

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

Daily Bread Food Bank Statement of Cash Flows

For the year ended June 30	2019	2018
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 183,388	\$ 350,573
Adjustments required to reconcile excess of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets (Note 3)	352,524	237,093
Gain on sale of capital assets	(4,422)	(550)
Amortization of deferred capital contributions (Note 5)	(76,354)	(36,196)
Changes in non-cash working capital balances		
Receivables	(8,991)	(141,300)
Inventory	1,418	(30,163)
Prepaid expenses	20,804	(67,481)
Accounts payable and accrued liabilities	(21,164)	147,355
Deferred contributions	(175,492)	46,581
	271,711	505,912
Investing activities		
Purchase of capital assets	(2,260,982)	(1,103,636)
Proceeds on sale of capital assets	6,500	550
Redemption of short-term investments	1,046,224	799,343
	(1,208,258)	(303,743)
Financing activity		
Capital contributions received	51,928	502,738
Increase (decrease) in cash during the year	(884,619)	704,907
Cash, beginning of year	1,170,915	466,008
Cash, end of year	\$ 286,296	\$ 1,170,915

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

Daily Bread Food Bank

Notes to Financial Statements

June 30, 2019

1. Significant Accounting Policies

Nature of 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.

The Organization acts as a distribution hub for the Ontario Association of Food Banks (o/a Feed Ontario) in the distribution of food in Ontario.

Funding has been primarily received 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.

Basis of Accounting

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

Fund Accounting

The Organization follows the restricted fund method of accounting for contributions.

Operating Fund - unrestricted

The Operating Fund records the operating activities of the Organization.

Restricted funds

(i) Food Fund - externally restricted

All donations designated by donors for the acquisition of food are allocated to the Food Fund. Additional monies may be transferred to this fund from time to time by the Board of Directors.

Daily Bread Food Bank Notes to Financial Statements

June 30, 2019

1. Significant Accounting Policies (continued)

(ii) Building Reserve Fund - internally restricted

The Building Reserve Fund was created to fund expenditures required to maintain the building and was internally restricted by the Board of Directors. The Board has since decided to close this reserve as of June 30, 2019.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate externally restricted fund. All other restricted contributions for which no restricted fund has 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 if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grants are recognized as income in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Deferred contributions relates to grants received in advance for programs taking place in the next fiscal year.

Fee-for-service revenues are recognized as income when the service has been provided, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred capital contributions arise from amounts that have been received and that are receivable under the restriction that proceeds are to be used to fund capital asset purchases. Deferred capital contributions are recognized on a straight-line basis over the estimated useful life of the corresponding capital asset.

Donated food is recognized as revenue in the Statement of Operations and Changes in Net Assets when distributed. 7,579,916 pounds of donated food (2018 - 6,762,742) has been valued based on national standards recommended by Food Banks Canada at \$2.60 per pound (2018 - \$2.60), which management believes to be a reasonable reflection of fair value. 1,667,226 pounds of donated food (2018 - 1,270,244) was received from farmers who were issued tax receipts at an average calculated value of \$0.66 per pound (2018 - \$1.06). The Organization distributed a total of 9,247,142 pounds of donated food to the community (2018 - 8,032,986) at a value of \$20,808,151 (2018 - \$18,929,588). (Note 11).

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

Investment income is recognized as earned.

Daily Bread Food Bank

Notes to Financial Statements

June 30, 2019

1. Significant Accounting Policies (continued)

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 current replacement cost. 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.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

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	- 6 years straight-line basis
Computer and office equipment	- 5 - 10 years straight-line basis

Volunteer Services

The work of the Organization is dependent on the efforts of many volunteers. Since these services are not purchased by the Organization and due to the difficulty of determining their fair value, donated services are not recognized in these financial statements.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each Statement of Financial Position date and charged to the financial instrument for those measured at amortized cost.

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 revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Daily Bread Food Bank

Notes to Financial Statements

June 30, 2019

1. Significant Accounting Policies (continued)

Allocation of Administrative Expenses to Cost Centres

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 kitchen, which respects 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 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

2. Short-term Investments

Short-term investments consist of mutual fund investment savings and Guaranteed Investment Certificates that earn interest at 1.7% to 2.0% (2018 - 1.25% to 2.75%) and have maturity dates between July 2019 and August 2019 (2018 - August and December 2018).

Daily Bread Food Bank Notes to Financial Statements

June 30, 2019

3. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 871,388	\$ -	\$ 871,388	\$ -
Building	6,275,320	1,980,409	6,110,101	1,807,162
Warehouse equipment	1,889,170	536,382	953,406	830,737
Automotive	1,258,356	514,939	631,314	610,279
Kitchen equipment	166,327	63,660	164,805	42,547
Computer and office equipment	755,188	655,956	734,594	616,860
	\$ 11,215,749	\$ 3,751,346	\$ 9,465,608	\$ 3,907,585
Net book value		\$ 7,464,403		\$ 5,558,023

The Organization purchased warehouse equipment for \$65,599 that was not available for use at year end, therefore no amortization has been recorded.

Of the total balance in the Operating Fund of \$9,123,391 (2018 - \$8,036,407), the amount invested in capital assets is \$6,595,101 (2018 - \$4,664,295).

	2019	2018
Total investment in capital assets	\$ 7,464,403	\$ 5,558,023
Less: amount funded by deferred capital contributions (Note 5)	(869,302)	(893,728)
Funds invested in capital assets	\$ 6,595,101	\$ 4,664,295

Amortization of capital assets is included on the Statement of Operations and Changes in Net Assets in the following expense categories:

	2019	2018
Food distribution operations	\$ 205,927	\$ 123,939
Food preparation and purchases	89,512	71,036
Member agency support	12,066	11,265
Kitchen	17,750	7,912
Research and public policy	10,580	6,530
Fundraising	10,548	10,528
Administration	6,141	5,883
	\$ 352,524	\$ 237,093

4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$2,415 (2018 - \$2,968).

Daily Bread Food Bank Notes to Financial Statements

June 30, 2019

5. Deferred Contributions and Deferred Capital Contributions

Changes in deferred contributions and deferred capital contributions are as follows:

	<u>Current</u>	<u>Capital</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 374,825	\$ 893,728	\$ 1,268,553	\$ 755,430
Add: funds received	350,448	51,928	402,376	963,216
Less: contributions recognized as revenue	<u>(525,940)</u>	<u>(76,354)</u>	<u>(602,294)</u>	<u>(450,093)</u>
Balance, end of year	<u>\$ 199,333</u>	<u>\$ 869,302</u>	<u>\$ 1,068,635</u>	<u>\$ 1,268,553</u>

6. Allocation of Administrative Expenses to Cost Centres

Administrative expenses totalling \$1,318,769 (2018 - \$1,362,159) have been allocated as follows:

	<u>2019</u>	<u>2018</u>
Food distribution operations	\$ 463,610	\$ 487,338
Food preparation and purchases	446,923	430,984
Member agency support	172,628	190,521
Kitchen	47,735	48,596
Research and public policy	34,676	38,507
Fundraising	103,388	113,985
Administration	<u>49,809</u>	<u>52,228</u>
	<u>\$ 1,318,769</u>	<u>\$ 1,362,159</u>

7. Line of Credit

The Organization has a \$5,000,000 credit facility agreement with a Canadian chartered bank for the purpose of financing repairs and maintenance, and leasehold improvements to 191 New Toronto Street. The line of credit is secured by a general security agreement representing a first charge on all present and after acquired property, as well as a \$5,000,000 collateral mortgage on the real property located at 191 New Toronto Street, bears interest at prime and is payable on demand. The balance outstanding as at June 30, 2019 is \$Nil (2018 - \$Nil).

8. Employee Benefits

The Organization maintains an RRSP matching program for its employees. The Organization matches up to 2% of the employee's gross earnings. The expense for the year was \$54,890 (2018 - \$56,984).

Daily Bread Food Bank
Notes to Financial Statements

June 30, 2019

9. Commitments

The Organization has obligations under operating leases for a truck and office equipment as follows:

2020	\$	48,319
2021		48,319
2022		46,055
2023		21,143
2024		18,217
Thereafter		<u>2,240</u>
	\$	<u>184,293</u>

10. Building Reserve Fund

The expenditures from the Building Reserve Fund amounted to \$912,879 (2018 - \$897,008) with the majority being paid for the new freezer and cooler at 191 New Toronto Street (2018 - new roof).

11. Restatement of Prior Year's Donated Food Distributed

The prior year's audited financial statements valued all donated food revenue and distribution of donated food expense at \$2.60 per pound. As these items included donated food from farmers who were issued donation receipts at values other than \$2.60 per pound, the balances were overstated by \$1,956,175. This restatement had no impact on the excess (deficiency) of revenue over expenses in the Statement of Operations and Changes in Net Assets. The prior year financial statements have been restated as follows:

	<u>2018</u>
<i>Statement of Operations and Changes in Net Assets</i>	
Donated food	\$18,929,588
Distribution of donated food	\$18,929,588

12. Comparative Figures

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