

Daily Bread Food Bank
Financial Statements
For the year ended June 30, 2021

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Independent Auditor's Report

To the Board of Directors of Daily Bread Food Bank

Opinion

We have audited the financial statements of Daily Bread Food Bank (the Organization), which comprise the statement of financial position as at June 30, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 opinion.

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.



Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

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
Oakville, Ontario
September 29, 2021

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

June 30

2021

2020

	Operating Fund	Food Fund	Pandemic Fund	Total	Total
Assets					
Current					
Cash	\$ 9,834,037	\$ 197,520	\$ 22,857,195	\$ 32,888,752	\$ 2,150,522
Short-term investments (Note 2)	39,928	-	-	39,928	15,538,906
Receivables	405,675	108,963	-	514,638	225,095
Inventory	-	188,037	-	188,037	236,208
Prepaid expenses	315,686	59,361	-	375,047	282,278
	10,595,326	553,881	22,857,195	34,006,402	18,433,009
Capital assets (Note 3)	7,418,146	-	-	7,418,146	7,134,691
	\$ 18,013,472	\$ 553,881	\$ 22,857,195	\$ 41,424,548	\$ 25,567,700
Liabilities and Net Assets					
Current					
Accounts payable and accrued liabilities	\$ 119,204	\$ 553,881	\$ -	\$ 673,085	\$ 1,252,399
Deferred contributions (Note 4)	101,317	-	-	101,317	310,130
	220,521	553,881	-	774,402	1,562,529
Deferred capital contributions (Note 4)	644,211	-	-	644,211	751,882
	864,732	553,881	-	1,418,613	2,314,411
Net assets					
Operating fund	17,148,740	-	-	17,148,740	10,253,289
Pandemic fund	-	-	22,857,195	22,857,195	13,000,000
	17,148,740	-	22,857,195	40,005,935	23,253,289
	\$ 18,013,472	\$ 553,881	\$ 22,857,195	\$ 41,424,548	\$ 25,567,700

On behalf of the Board: _____ Director _____ Director

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

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

For the year ended June 30

2021

2020

	Operating Fund	Food Fund	Pandemic Fund	Total	Total
Revenue					
Monetary donations	\$ 28,118,175	\$ 1,584,430	\$ -	\$ 29,702,605	\$ 24,456,378
Bequests	472,108	-	-	472,108	683,286
Designated program grants	155,443	-	-	155,443	153,176
Government grants	112,042	-	-	112,042	81,436
Fee-for-service revenues	18,915	-	-	18,915	166,846
Investment income	228,794	-	-	228,794	84,454
Other income	608,853	-	-	608,853	870,631
	29,714,330	1,584,430	-	31,298,760	26,496,207
Donated food (Note 1)	-	29,322,082	-	29,322,082	25,005,881
	29,714,330	30,906,512	-	60,620,842	51,502,088
Expenses					
Food distribution operations	2,962,575	-	121,177	3,083,752	2,892,801
Food preparation and purchases	1,365,782	1,608,009	2,205,872	5,179,663	4,473,700
Member agency support	961,892	-	764,257	1,726,149	926,506
Kitchen	367,819	-	5,944	373,763	316,837
Research and public policy	531,165	-	8,686	539,851	465,105
Fundraising	2,838,073	-	24,656	2,862,729	2,628,162
Administration	767,994	-	12,213	780,207	663,198
	9,795,300	1,608,009	3,142,805	14,546,114	12,366,309
Distribution of donated food (Note 1)	-	29,322,082	-	29,322,082	25,005,881
	9,795,300	30,930,091	3,142,805	43,868,196	37,372,190
Excess (deficiency) of revenue over expenses	19,919,030	(23,579)	(3,142,805)	16,752,646	14,129,898
Net assets, beginning of year	10,253,289	-	13,000,000	23,253,289	9,123,391
Approved board transfers	(13,023,579)	23,579	13,000,000	-	-
Net assets, end of year	\$ 17,148,740	\$ -	\$ 22,857,195	\$ 40,005,935	\$ 23,253,289

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	2021	2020
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 16,752,646	\$ 14,129,898
Adjustments required to reconcile excess of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets (Note 3)	557,317	540,332
Amortization of deferred capital contributions (Note 4)	(117,671)	(117,420)
Changes in non-cash working capital balances		
Receivables	(289,543)	81,076
Inventory	48,171	(168,857)
Prepaid expenses	(92,769)	(86,267)
Accounts payable and accrued liabilities	(579,314)	704,236
Deferred contributions	(208,813)	110,797
	16,070,024	15,193,795
Investing activities		
Purchase of capital assets	(840,772)	(210,620)
Redemption of short-term investments	15,518,978	2,419,957
Purchase of short-term investments	(20,000)	(15,538,906)
	14,658,206	(13,329,569)
Financing activity		
Capital contributions received	10,000	-
	30,738,230	1,864,226
Increase in cash during the year		
	30,738,230	1,864,226
Cash, beginning of year	2,150,522	286,296
Cash, end of year	\$ 32,888,752	\$ 2,150,522

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

Daily Bread Food Bank

Notes to Financial Statements

June 30, 2021

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 collaborate with all to eliminate food insecurity and advocate for solutions to end poverty. 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 operates a food bank out of its head office.

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, government, and charitable foundations.

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, 2021

1. Significant Accounting Policies (continued)

(ii) Pandemic Fund - internally restricted

The Pandemic fund is an internally restricted fund that reflects amounts that are designated by the Board of Directors for alleviating the effects of the current economic downturn on the city of Toronto, and are transferred to unrestricted funds as necessary. The Pandemic fund provides funds to allow the Organization to help maintain client service levels in the event of decreased donations, increased client demand and operational changes resulting from the current pandemic. Uses of the Pandemic fund will be restricted to cover increases in food, cleaning, and other operating costs required to serve increased numbers of clients, while maintaining increased infection prevention and control standards. Funds may be used by the Organization or directed to member agencies. Capital costs will be eligible to the extent that they address health and safety risks or build capacity for ongoing elevated client needs. During the year, the Board of Directors approved a transfer of \$13,000,000 (2020 - \$13,000,000) from the Operating fund to the Pandemic fund.

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 for those which do not have a specific externally restricted fund established.

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. 10,906,629 pounds of donated food (2020 - 8,560,270) has been valued based on national standards recommended by Food Banks Canada at \$2.62 per pound (2020 - \$2.62), which management believes to be a reasonable reflection of fair value. 1,131,385 pounds of donated food (2020 - 1,239,757) was received from farmers who were issued tax receipts at an average calculated value of \$0.66 per pound (2020 - \$0.66). Nil pounds of donated food (2020 - 1,157,720) was received from Ontario Association of Food Banks (o/a Feed Ontario) that was valued at \$1.52 per pound (2020 - \$1.52). The Organization distributed a total of 12,038,014 pounds of donated food to the community (2020 - 10,957,747) at a value of \$29,322,082 (2020 - \$25,005,881).

Daily Bread Food Bank

Notes to Financial Statements

June 30, 2021

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

Investment income is recognized as earned.

Items other than food are donated to the Organization from time to time. These items are not recognized in the financial statements.

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, 2021

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 consists of a Guaranteed Investment Certificate that earns interest at 0.1% (2020 - 0.7% to 1.18%) and has a maturity date of April 2022 (2020 - September 2020 and June 2021).

Daily Bread Food Bank
Notes to Financial Statements

June 30, 2021

3. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 871,388	\$ -	\$ 871,388	\$ -
Building	7,099,941	2,366,814	6,335,059	2,170,253
Warehouse equipment	2,026,124	847,931	1,992,207	683,072
Automotive	1,258,356	791,220	1,258,356	653,079
Kitchen equipment	169,965	115,956	166,327	94,691
Computer and office equipment	841,367	727,074	803,032	690,583
	\$ 12,267,141	\$ 4,848,995	\$ 11,426,369	\$ 4,291,678
Net book value		\$ 7,418,146		\$ 7,134,691

In the prior year, the Organization purchased additions to the building of \$44,093 that were not available for use at year end, therefore no amortization had been recorded.

Of the total balance in the Operating Fund of \$17,148,740 (2020 - \$10,253,289), the amount invested in capital assets is \$6,773,935 (2020 - \$6,382,809).

	2021	2020
Total investment in capital assets	\$ 7,418,146	\$ 7,134,691
Less: amount funded by deferred capital contributions (Note 4)	(644,211)	(751,882)
Funds invested in capital assets	\$ 6,773,935	\$ 6,382,809

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

	2021	2020
Food distribution operations	\$ 404,769	\$ 421,219
Food preparation and purchases	62,686	34,675
Member agency support	19,313	16,186
Kitchen	33,667	31,560
Research and public policy	7,092	7,084
Fundraising	18,746	18,463
Administration	11,044	11,145
	\$ 557,317	\$ 540,332

Daily Bread Food Bank Notes to Financial Statements

June 30, 2021

4. Deferred Contributions and Deferred Capital Contributions

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

	<u>Current</u>	<u>Capital</u>	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 310,130	\$ 751,882	\$ 1,062,012	\$ 1,068,635
Add: funds received	197,772	10,000	207,772	490,001
Less: contributions recognized as revenue	<u>(406,585)</u>	<u>(117,671)</u>	<u>(524,256)</u>	<u>(496,624)</u>
Balance, end of year	<u>\$ 101,317</u>	<u>\$ 644,211</u>	<u>\$ 745,528</u>	<u>\$ 1,062,012</u>

5. Allocation of Administrative Expenses to Cost Centres

Administrative expenses totaling \$1,592,724 (2020 - \$1,598,470) have been allocated as follows:

	<u>2021</u>	<u>2020</u>
Food distribution operations	\$ 638,691	\$ 663,175
Food preparation and purchases	237,311	222,755
Member agency support	179,139	185,237
Kitchen	214,164	229,539
Research and public policy	61,948	62,813
Fundraising	172,653	147,529
Administration	<u>88,818</u>	<u>87,422</u>
	<u>\$ 1,592,724</u>	<u>\$ 1,598,470</u>

6. Line of Credit

The Organization has a \$750,000 credit facility agreement with a Canadian chartered bank. The line of credit is secured by a general security agreement representing a first charge on all present and after acquired property, bears interest at prime and is payable on demand. The balance outstanding as at June 30, 2021 is \$Nil (2020 - \$Nil).

7. 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 \$57,628 (2020 - \$49,726).

Daily Bread Food Bank Notes to Financial Statements

June 30, 2021

8. Commitments

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

2022	\$	514,314
2023		49,570
2024		19,570
2025		18,222
2026		15,982
Thereafter		<u>6,659</u>
	\$	<u>624,317</u>

The Organization has also entered into agreements with member agencies in which they will provide grants to its member agencies to support their charitable programs. These grants are conditional upon those member agencies meeting certain criteria and performance objectives. The Organization is committed to payments over the next five years as follows:

2022	\$	2,048,302
2023		540,223
2024		542,852
2025		208,872
2026		<u>209,845</u>
	\$	<u>3,550,094</u>

9. 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 denominated short-term investments.

Daily Bread Food Bank Notes to Financial Statements

June 30, 2021

10. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus, the “COVID-19” outbreak. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Due to the pandemic, there has been an increase in need for the services provided by the Organization, which is an essential service and continued to operate during the pandemic. As the impacts of COVID-19 continue, there could be further impacts on the Organization. Management is actively monitoring the affects on its financial condition, liquidity, operations, suppliers, sector and workforce.

The Organization relies on revenue from donations and grants. During the year, the Organization received significant funds and donated food from multiple sources as a result of the global pandemic. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations at this time.