

Daily Bread Food Bank
Financial Statements
For the year ended June 30, 2022

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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, 2022, 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, 2022, 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, 2022

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

June 30

2022

2021

	Operating Fund	Food Fund	Pandemic Fund	Total	Total
Assets					
Current					
Cash	\$ 11,512,337	\$ -	\$ -	\$ 11,512,337	\$ 32,888,752
Short-term investments (Note 2)	592,850	-	-	592,850	39,928
Receivables	795,935	174,604	-	970,539	514,638
Inventory	-	365,390	-	365,390	188,037
Prepaid expenses	319,902	29,286	-	349,188	375,047
Due to / from funds	(12,617,285)	(844)	12,618,129	-	-
	603,739	568,436	12,618,129	13,790,304	34,006,402
Long-term investments (Note 2)	21,499,207	-	-	21,499,207	-
Capital assets (Note 3)	7,294,280	-	-	7,294,280	7,418,146
	\$ 29,397,226	\$ 568,436	\$ 12,618,129	\$ 42,583,791	\$ 41,424,548
Liabilities and Net Assets					
Current					
Accounts payable and accrued liabilities	\$ 929,600	\$ 568,436	\$ 1,020,580	\$ 2,518,616	\$ 673,085
Deferred contributions (Note 4)	160,325	-	-	160,325	101,317
	1,089,925	568,436	1,020,580	2,678,941	774,402
Deferred capital contributions (Note 4)	494,600	-	-	494,600	644,211
	1,584,525	568,436	1,020,580	3,173,541	1,418,613
Net assets					
Operating fund	27,812,701	-	-	27,812,701	17,148,740
Pandemic fund	-	-	11,597,549	11,597,549	22,857,195
	27,812,701	-	11,597,549	39,410,250	40,005,935
	\$ 29,397,226	\$ 568,436	\$ 12,618,129	\$ 42,583,791	\$ 41,424,548

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

2022

2021

	Operating Fund	Food Fund	Pandemic Fund	Total	Total
Revenue					
Monetary donations	\$ 24,001,032	\$ 669,841	\$ -	\$ 24,670,873	\$ 29,702,605
Bequests	526,449	-	-	526,449	472,108
Designated program grants	280,483	-	-	280,483	155,443
Government grants	118,726	-	-	118,726	112,042
Fee-for-service revenues	24,840	-	-	24,840	18,915
Other income	161,062	-	-	161,062	608,853
	25,112,592	669,841	-	25,782,433	31,069,966
Donated food (Note 1)	-	34,374,448	-	34,374,448	29,322,082
	25,112,592	35,044,289	-	60,156,881	60,392,048
Expenses					
Food distribution operations	3,716,375	-	386	3,716,761	3,083,752
Food preparation and purchases	1,003,205	1,571,374	5,324,149	7,898,728	5,179,663
Member agency support	1,645,634	-	5,922,178	7,567,812	1,726,149
Kitchen	421,763	-	71	421,834	373,763
Research and public policy	804,853	-	11	804,864	539,851
Fundraising	3,362,378	-	21	3,362,399	2,862,729
Administration	856,617	-	12,830	869,447	780,207
	11,810,825	1,571,374	11,259,646	24,641,845	14,546,114
Distribution of donated food (Note 1)	-	34,374,448	-	34,374,448	29,322,082
	11,810,825	35,945,822	11,259,646	59,016,293	43,868,196
Excess (deficiency) of revenue over expenses before other items	13,301,767	(901,533)	(11,259,646)	1,140,588	16,523,852
Investment income	452,514	-	-	452,514	228,794
Unrealized fair value gain (loss) on investments	(2,188,787)	-	-	(2,188,787)	-
Excess (deficiency) of revenue over expenses	11,565,494	(901,533)	(11,259,646)	(595,685)	16,752,646
Net assets, beginning of year	17,148,740	-	22,857,195	40,005,935	23,253,289
Approved board transfers	(901,533)	901,533	-	-	-
Net assets, end of year	\$ 27,812,701	\$ -	\$ 11,597,549	\$ 39,410,250	\$ 40,005,935

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	2022	2021
Cash was provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (595,685)	\$ 16,752,646
Adjustments required to reconcile excess (deficiency) of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets (Note 3)	579,050	557,317
Disposal of capital asset	47,292	-
Amortization of deferred capital contributions (Note 4)	(151,811)	(117,671)
Unrealized fair value (gain) loss on investments	2,188,787	-
Changes in non-cash working capital balances		
Receivables	(455,901)	(289,543)
Inventory	(177,353)	48,171
Prepaid expenses	25,859	(92,769)
Accounts payable and accrued liabilities	1,845,531	(579,314)
Deferred contributions	59,008	(208,813)
	3,364,777	16,070,024
Investing activities		
Purchase of capital assets	(502,476)	(840,772)
Redemption of short-term investments	39,928	15,518,978
Purchase of short-term investments	(592,850)	(20,000)
Purchase of long-term investments	(23,687,994)	-
	(24,743,392)	14,658,206
Financing activity		
Capital contributions received	2,200	10,000
	(21,376,415)	30,738,230
Increase (decrease) in cash during the year		
	32,888,752	2,150,522
Cash, beginning of year		
	\$ 11,512,337	\$ 32,888,752

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

Daily Bread Food Bank

Notes to Financial Statements

June 30, 2022

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, 2022

1. Significant Accounting Policies (Continued)

Fund Accounting

Restricted funds (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 \$Nil (2021 - \$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. 10,285,723 pounds of donated food (2021 - 10,906,629) has been valued based on independently obtained, national standards recommended by Food Banks Canada at \$3.21 per pound (2021 - \$2.62). The use of the national standards recommended by Food Banks Canada is consistent with fiscal 2021; management and the Board believe that this valuation is a reasonable reflection of fair market value. 1,357,277 pounds of donated food (2021 - 1,131,385) was received from farmers who were issued tax receipts at an average calculated value of \$1.00 per pound (2021 - \$0.66). The Organization distributed a total of 11,643,000 pounds of donated food to the community (2021 - 12,038,014) at a value of \$34,374,448 (2021 - \$29,322,082).

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

Daily Bread Food Bank Notes to Financial Statements

June 30, 2022

1. Significant Accounting Policies (Continued)

Revenue Recognition (continued)

Investment income (loss) includes interest, dividends, and realized and unrealized gains and losses on investments.

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, investments are recorded at fair value with any change in the fair value reported in the Statement of Operations and Changes in Net Assets. All other 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, 2022

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. Investments

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Short-term investments				
Cash	\$ 302,297	\$ 302,248	\$ -	\$ -
GICs	290,553	288,000	39,928	39,928
	592,850	590,248	39,928	39,928
Long-term investments				
Equities	7,318,746	8,374,220	-	-
Exchange-traded funds	7,021,777	7,641,523	-	-
GICs	1,167,483	1,152,000	-	-
Mutual funds	5,991,201	6,522,854	-	-
	21,499,207	23,690,597	-	-
	\$ 22,092,057	\$ 24,280,845	\$ 39,928	\$ 39,928

Daily Bread Food Bank
Notes to Financial Statements

June 30, 2022

2. Investments (Continued)

Short-term GICs have interest rates between 1.58% and 1.60% (2021 - 0.1%) and mature in December 2022 (2021 - April 2022).

Long-term GICs have interest rates between 2.15% and 2.61% and maturity dates from December 2023 and December 2026.

3. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 871,388	\$ -	\$ 871,388	\$ -
Building	7,422,014	2,582,303	7,099,941	2,366,814
Warehouse equipment	2,003,517	1,003,973	2,026,124	847,931
Automotive	1,258,356	928,721	1,258,356	791,220
Kitchen equipment	170,861	128,124	169,965	115,956
Computer and office equipment	977,883	766,618	841,367	727,074
	\$ 12,704,019	\$ 5,409,739	\$ 12,267,141	\$ 4,848,995
Net book value		\$ 7,294,280		\$ 7,418,146

Of the total balance in the Net Assets of the Operating Fund of \$27,812,701 (2021 - \$17,148,740), the amount invested in capital assets is \$6,799,680 (2021 - \$6,773,935).

	2022	2021
Total investment in capital assets	\$ 7,294,280	\$ 7,418,146
Less: amount funded by deferred capital contributions (Note 4)	(494,600)	(644,211)
Funds invested in capital assets	\$ 6,799,680	\$ 6,773,935

Daily Bread Food Bank
Notes to Financial Statements

June 30, 2022

3. Capital Assets (Continued)

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

	2022	2021
Food distribution operations	\$ 421,463	\$ 404,769
Food preparation and purchases	64,587	62,686
Member agency support	24,852	19,313
Kitchen	35,695	33,667
Research and public policy	13,841	7,092
Fundraising	11,241	18,746
Administration	7,371	11,044
	\$ 579,050	\$ 557,317

4. Deferred Contributions and Deferred Capital Contributions

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

	Current	Capital	2022	2021
Balance, beginning of year	\$ 101,317	\$ 644,211	\$ 745,528	\$ 1,062,012
Add: funds received	104,254	2,200	106,454	207,772
Less: contributions recognized as revenue	(45,246)	(151,811)	(197,057)	(524,256)
Balance, end of year	\$ 160,325	\$ 494,600	\$ 654,925	\$ 745,528

5. Allocation of Administrative Expenses to Cost Centres

Administrative expenses totaling \$1,854,809 (2021 - \$1,592,724) have been allocated as follows:

	2022	2021
Food distribution operations	\$ 778,345	\$ 638,691
Food preparation and purchases	233,799	237,311
Member agency support	249,328	179,139
Kitchen	248,576	214,164
Research and public policy	133,912	61,948
Fundraising	135,721	172,653
Administration	75,128	88,818
	\$ 1,854,809	\$ 1,592,724

Daily Bread Food Bank
Notes to Financial Statements

June 30, 2022

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, 2022 is \$Nil (2021 - \$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 \$66,137 (2021 - \$57,628).

8. Commitments

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

2023	\$ 166,638
2024	19,570
2025	18,222
2026	15,982
2027	<u>6,659</u>
	<u>\$ 227,071</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 four years as follows:

2023	\$ 540,223
2024	542,852
2025	208,872
2026	<u>208,872</u>
	<u>\$ 1,500,819</u>

Daily Bread Food Bank Notes to Financial Statements

June 30, 2022

9. Financial Instrument Risks

Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

The Organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The organization maintains a portion of its invested assets in liquid securities.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the level of investments held by the Organization. The Organization is subject to market risk on its long-term investments. The values of these long-term investments will fluctuate as a result of changes in market prices or other factors effecting the values of the investments.

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 investments.

Currency Risk

Currency risk is the risk that arises from fluctuations in foreign exchanges rates. The Organization is exposed to currency risk with respect to the long-term investments denominated in U.S dollars. \$612,119 (2021 - \$Nil) of investments are held in U.S dollars.

Daily Bread Food Bank Notes to Financial Statements

June 30, 2022

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.