
DAILY BREAD FOOD BANK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016



Saeed & Company

Chartered Accountant Professional Corporation



INDEPENDENT AUDITOR'S REPORT

To the Members of
Daily Bread Food Bank:

Report on the Financial Statements

We have audited the accompanying financial statements of Daily Bread Food Bank, which comprise the statement of financial position as at June 30, 2016, 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 June 30, 2016 and June 30, 2015, current assets as at June 30, 2016 and June 30, 2015 and net assets as at June 30, 2016, June 30, 2015 and July 1, 2014. Our audit opinion on the financial statements for the year ended June 30, 2015 was modified accordingly because of the possible effects of this limitation in scope.

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 Daily Bread Food Bank as at June 30, 2016 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.

Comparative Information

Without modifying our opinion, we draw attention to note 13 to the financial statements, which describes that Daily Bread Food Bank is including amounts and other disclosures for the year ended June 30, 2015. The comparative information is intended to be read only in relation to the amounts and other disclosures relating to the current year. We were not engaged to report on the comparative information, other than the statement of financial position as at June 30, 2015, and as such, it is unaudited. The financial statements for the twelve months ended March 31, 2015 and the three months ended June 30, 2015 were audited by us and subject to our audit reports dated September 15, 2015.



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

Toronto, Ontario
October 17, 2016



Saeed & Company
Chartered Accountant Professional Corporation

DAILY BREAD FOOD BANK

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2016

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2016 Total	2015 Total
ASSETS						
Current:						
Cash	\$ 344,194	\$ -	\$ -	\$ -	\$ 344,194	\$ 489,840
Short-term investments (note 3)	2,209,661	208,825	-	1,544,766	3,963,252	3,413,583
Accounts receivable	141,698	8,295	-	-	149,993	68,767
Inventory	-	83,146	-	-	83,146	136,250
Prepaid expenses	141,450	6,566	-	-	148,016	156,058
	2,837,003	306,832	-	1,544,766	4,688,601	4,264,498
Capital assets (note 4)	4,759,005	-	-	-	4,759,005	4,667,653
	\$ 7,596,008	\$ 306,832	\$ -	\$ 1,544,766	\$ 9,447,606	\$ 8,932,151
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued liabilities (note 5)	\$ 402,699	\$ 110,968	\$ -	\$ 11,187	\$ 524,854	\$ 333,590
Deferred contributions (note 6)	365,714	-	-	-	365,714	394,833
	768,413	110,968	-	11,187	890,568	728,423
Long term liabilities:						
Deferred contributions, capital (note 6)	432,316	-	-	-	432,316	280,230
Total liabilities	1,200,729	110,968	-	11,187	1,322,884	1,008,653
Net assets:						
Unrestricted operating fund (Note 4)	6,395,279	-	-	-	6,395,279	5,216,691
Food fund	-	195,864	-	-	195,864	940,668
Community action fund	-	-	-	-	-	-
Building reserve fund	-	-	-	1,533,579	1,533,579	1,766,139
	6,395,279	195,864	-	1,533,579	8,124,722	7,923,498
	\$ 7,596,008	\$ 306,832	\$ -	\$ 1,544,766	\$ 9,447,606	\$ 8,932,151

See accompanying notes to the financial statements.

Approved by the Board:

Director

Director





DAILY BREAD FOOD BANK

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2016

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2016 Total	(Unaudited) 2015 Total
Revenues:						
Monetary donations	\$ 6,499,902	\$ 389,346	\$ -	\$ -	\$ 6,889,248	\$ 6,441,057
Bequests	221,754	-	-	-	221,754	211,520
Designated program grants	110,294	-	-	-	110,294	68,807
Government grants	75,470	294,680	-	-	370,150	352,932
Fee-for-service revenues	189,261	-	-	-	189,261	187,427
Investment income	22,718	-	-	27,149	49,867	58,691
Other income	71,397	-	-	-	71,397	54,797
	7,190,796	684,026	-	27,149	7,901,971	7,375,231
Donated food	-	6,220,436	-	-	6,220,436	6,481,247
	7,190,796	6,904,462	-	27,149	14,122,407	13,856,478
Expenses:						
Food distribution operations	1,778,203	-	-	10,290	1,788,493	1,670,436
Food preparation and purchases	995,588	1,428,830	-	-	2,424,418	2,286,989
Member agency support	737,614	-	53,353	-	790,967	878,138
Kitchen	246,783	-	-	-	246,783	285,311
Research and public policy	456,138	-	-	-	456,138	464,051
Fundraising and food solicitation	1,142,921	-	-	-	1,142,921	890,560
Administration	851,027	-	-	-	851,027	888,015
	6,208,274	1,428,830	53,353	10,290	7,700,747	7,363,500
Distribution of donated food	-	6,220,436	-	-	6,220,436	6,481,247
	6,208,274	7,649,266	53,353	10,290	13,921,183	13,844,747
Excess (deficiency) of revenues over expenses						
Net assets, beginning of year	982,522	(744,804)	(53,353)	16,859	201,224	11,731
Purchase of capital assets charged to Building reserve fund (note 12)	5,216,691	940,668	-	1,766,139	7,923,498	7,911,767
Approved Board allocations	249,419	-	-	(249,419)	-	-
	(53,353)	-	53,353	-	-	-
Net assets, end of year	\$ 6,395,279	\$ 195,864	\$ -	\$ 1,533,579	\$ 8,124,722	\$ 7,923,498

See accompanying notes to the financial statements.

DAILY BREAD FOOD BANK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

	2016	(Unaudited) 2015
Operating activities:		
Excess of revenues over expenses	\$ 201,224	\$ 11,731
Adjusted for non-cash items:		
Amortization	249,715	267,104
Gain on disposal of capital assets	(993)	-
	449,946	278,835
Net change in non-cash working capital balances (note 8)	142,065	202,772
Cash provided by operating activities	592,011	481,607
Financing activities:		
Increase (decrease) in deferred contributions, capital	152,086	(14,724)
Cash provided by (used in) financing activities	152,086	(14,724)
Investing activities:		
Purchases of capital assets	(342,074)	(133,262)
Net purchases of short-term investments	(549,670)	(208,499)
Proceeds on disposition of capital assets	2,001	-
Cash used in investing activities	(889,743)	(341,761)
Net increase (decrease) in cash during the year	(145,646)	125,122
Cash, beginning of year	489,840	364,718
Cash, end of year	\$ 344,194	\$ 489,840

See accompanying notes to the financial statements.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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. Outlined 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.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 period value was calculated at \$0.92 per pound (2015 - \$0.91).

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

In 2008 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%. In 2016 a new building assessment report was undertaken, the results of which are not yet finalized. The Board will add to the Building Reserve Fund through allocations from the Operating Fund, capital campaigns or a combination thereof to ensure that needs forecasted in the new study are met.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

(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.

(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.

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.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

(h) 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 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), accounts payable and accrued liabilities. 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 0.25% to 2.60% and maturing within one year.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

4. Capital assets:

	Cost	Accumulated Amortization	Net 2016	Net 2015
Land	\$ 871,388	\$ -	\$ 871,388	\$ 871,388
Building	5,113,476	1,511,856	3,601,620	3,478,440
Warehouse equipment	887,080	784,735	102,345	103,642
Automotive	649,486	555,110	94,376	135,264
Kitchen equipment	39,672	36,891	2,781	5,573
Computer and office equipment	642,297	555,802	86,495	73,346
	\$ 8,203,399	\$ 3,444,394	\$ 4,759,005	\$ 4,667,653

Of the total Unrestricted Operating Fund balance of \$6,395,279 (2015 - \$5,216,691), the amount invested in capital assets is \$4,326,689 (2015 - \$4,387,423):

	2016	2015
Total investment in capital assets	\$ 4,759,005	\$ 4,667,653
Less: amount funded by deferred contributions	(432,316)	(280,230)
Unrestricted Operating Fund invested in capital assets	\$ 4,326,689	\$ 4,387,423

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

	2016	(Unaudited) 2015
Food distribution operations	\$ 152,424	\$ 163,641
Food preparation and purchases	58,255	64,872
Member agency support	8,688	10,164
Kitchen	14,857	8,084
Research and public policy	3,647	4,839
Fundraising and food solicitation	7,386	10,058
Administration	4,458	5,446
	\$ 249,715	\$ 267,104



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable and employee termination benefits of \$14,874 (2015 - \$1,981) and \$50,672 (2015 - Nil) respectively.

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:

			(Unaudited)	
	Current	Capital	2016	2015
Beginning balance	\$ 394,833	\$ 280,230	\$ 675,063	\$ 316,963
Add: grants received	363,475	232,950	596,425	518,500
	758,308	513,180	1,271,488	835,463
Less: contributions recognized as revenue	(392,594)	(80,864)	(473,458)	(160,400)
Ending balance	\$ 365,714	\$ 432,316	\$ 798,030	\$ 675,063

7. Allocation of administrative expenses to cost centres:

Administrative expenses totalling \$1,333,257 (2015 - \$1,187,071) have been allocated as follows:

	(Unaudited)	
	2016	2015
Food distribution operation	\$ 494,859	\$ 418,433
Food preparation and purchases	427,377	427,587
Member agency support	177,482	126,979
Kitchen	48,973	49,538
Research and public policy	40,085	36,139
Fundraising and food solicitation	96,529	83,882
Administration	47,952	44,513
	\$ 1,333,257	\$ 1,187,071



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

8. Changes in non-cash working capital:

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

	2016	(Unaudited) 2015
(Increase) decrease in current assets:		
Accounts receivable	\$ (81,226)	\$ 18,461
Inventory	53,104	(37,422)
Prepaid expenses	8,042	(25,439)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	191,264	(125,653)
Deferred contributions	(29,119)	372,825
	\$ 142,065	\$ 202,772

9. Commitments:

The Organization has obligations under operating leases for equipment and other commitments as follows:

2017	\$ 87,269
2018	43,900
2019	43,900
2020	43,154
2021	31,437
Thereafter	23,925
	\$ 273,585



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization is exposed to currency through holding cash denominated in U.S. dollars. Included in the cash balance of \$344,194 is \$18,837 of U.S. dollars (2015 - Nil). The Organization minimizes exposure to currency risk by paying disbursements denominated in U.S. dollars with the U.S. dollar donations received.

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.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 year, the Organization issued \$5,431,600 of charitable tax receipts. During this same year the Organization spent \$5,693,063 (2015 - \$5,584,925) of its monetary resources on activities which are "charitable activities" as defined by the Canada Revenue Agency. In addition, the Organization distributed approximately 6.8 million (2015 - 7.1 million) pounds of donated food to its member agencies and other programs. Including purchased food, a total of approximately 8.6 million (2015 - 8.7 million) pounds were distributed during the year.

While management has included donated food in these financial statements at its estimated wholesale value of \$0.92 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 \$21.5 million during the year (2015 - \$21.8 million).

12. Building Reserve Fund:

The expenditures paid from the Building Reserve Fund amounted to \$259,709 (2015 - \$20,750).

13. Comparative information:

During the fiscal year ended March 31, 2015 the Board of Directors approved a change to the fiscal year end from March 31 to June 30. Financial statements were prepared for the twelve months ended March 31, 2015 and the three months ended June 30, 2015. These statements were subject to audit reports dated September 15, 2015. The comparative information included with the current financial statements is for the twelve months ended June 30, 2015. Although this information is unaudited, with the exception of the statement of financial position as at June 30, 2015, management is of the opinion that it provides more relevant information for the users of these financial statements.

