

**THE DAILY BREAD FOOD BANK FOUNDATION OF
TORONTO**

FINANCIAL STATEMENTS

MARCH 31, 2011



Saeed & Company

Chartered Accountant Professional Corporation



INDEPENDENT AUDITORS' REPORT

To the Members of
The Daily Bread Food Bank Foundation of Toronto:

We have audited the accompanying financial statements of The Daily Bread Food Bank Foundation of Toronto, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and 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 generally accepted accounting principles 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.

Auditors' 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 auditors' 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 charitable organizations, the Foundation derives revenue from public donations the completeness 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, deficiency of revenues over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, if any, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



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

Toronto, Ontario
July 16, 2011



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THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2011

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	Invested in Capital Assets	2011 Total	(Restated) 2010 Total
ASSETS							
Current:							
Cash and cash equivalents (note 4)	\$ 2,492,391	\$ 496,080	\$ 268,465	\$ 1,420,236	\$	\$ 4,677,172	\$ 4,769,581
Accounts receivable	224,235	3,836				228,071	107,023
Inventory of food		119,270				119,270	87,374
Prepaid expenses	76,221	32,777	4,290			113,288	103,001
	2,792,847	651,963	272,755	1,420,236		5,137,801	5,066,979
Long-term investments (note 5)	1					1	1
Capital assets (note 6)					4,911,278	4,911,278	4,500,837

	\$ 2,792,848	\$ 651,963	\$ 272,755	\$ 1,420,236	\$ 4,911,278	\$ 10,049,080	\$ 9,567,817
LIABILITIES AND NET ASSETS							
Current:							
Accounts payable and accrued liabilities \$	425,823	\$ 54,161	\$ 2,186	\$ 29,007	\$	\$ 511,177	\$ 361,243
Deferred contributions (note 7)	479,683	122,801	47,350			649,834	338,472
	905,506	176,962	49,536	29,007		1,161,011	699,715

Net assets: (note 3)							
Unrestricted operating fund	1,887,342					1,887,342	1,991,975
Invested in capital assets					4,911,278	4,911,278	4,500,837
Food fund		475,001				475,001	549,379
Community action fund			223,219			223,219	320,235
Building reserve fund				1,391,229		1,391,229	1,505,676
	1,887,342	475,001	223,219	1,391,229	4,911,278	8,888,069	8,868,102

	\$ 2,792,848	\$ 651,963	\$ 272,755	\$ 1,420,236	\$ 4,911,278	\$ 10,049,080	\$ 9,567,817
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Approved by the Board:

See accompanying notes to the financial statements.

 Director

 Director

Director

Director

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THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2011

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	Invested in Capital Assets	2011 Total	(Restated) 2010 Total
Revenues:							
Donations (note 8)							
Individuals	\$ 3,263,347	\$ 571,891	\$ 19,413	\$	\$	\$ 3,854,651	\$ 4,106,341
Corporations and foundations	1,195,067	202,950	500			1,398,517	1,246,407
Fundraising events	421,021	10,700	155,034			586,755	649,660
Bequests	322,137					322,137	152,423
	5,201,572	785,541	174,947			6,162,060	6,154,831
Designated program grants	228,895					228,895	186,347
Government grants	63,946	198,551				262,497	295,300
Fee-for-service revenues	94,314					94,314	86,259
Investment income	53,528			26,900		80,428	56,068
Other income	29,471					29,471	26,611
	5,671,726	984,092	174,947	26,900		6,857,665	6,805,416
Expenses:							
Food distribution operations	1,696,518					1,696,518	1,751,476
Food preparation and purchases	1,043,762	1,302,148				2,345,910	2,439,356
Member agency support	575,003		271,963			846,966	777,519
Kitchen training program	278,177					278,177	260,297
Research and public policy	591,437					591,437	539,740
Fundraising and food solicitation	646,957					646,957	570,446
Administration	431,733					431,733	399,715
	5,263,587	1,302,148	271,963			6,837,698	6,738,549
Excess (deficiency) of revenues over expenses	408,139	(318,056)	(97,016)	26,900		19,967	66,867
Net assets, beginning of year, as restated (note 2a)	1,991,975	549,379	320,235	1,505,676	4,500,837	8,868,102	8,801,235
Amortization	321,654				(321,654)		
Purchase of capital assets	(466,197)			(272,834)	739,031		
Proceeds on disposal of capital assets	6,936				(6,936)		
Approved Board allocations	(375,165)	243,678		131,487			
Net assets, end of year	\$ 1,887,342	\$ 475,001	\$ 223,219	\$ 1,391,229	\$ 4,911,278	\$ 8,888,069	\$ 8,868,102

See accompanying notes to the financial statements.

THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2011

	2011	(Restated) 2010
Operating activities:		
Excess of revenues over expenses for the year	\$ 19,967	\$ 66,867
Adjusted for non-cash items:		
Amortization	321,654	257,705
	341,621	324,572
Net change in non-cash working capital balances (note 9)	298,065	(109,581)
Cash provided by operating activities	639,686	214,991
Financing and investing activities:		
Expenditures on capital assets	(739,031)	(480,669)
Proceeds on disposal of capital assets	6,936	-
Cash used in financing and investing activities	(732,095)	(480,669)
Net decrease in cash during the year	(92,409)	(265,678)
Cash and short-term investments, beginning of year	4,769,581	5,035,259
Cash and short-term investments, end of year	\$ 4,677,172	\$ 4,769,581

See accompanying notes to the financial statements.



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THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

1. Organization:

The Daily Bread Food Bank Foundation of Toronto was incorporated under the Canada Business Corporations Act on October 19, 1983. 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 Foundation'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 the need for food banks. In addition, the organization supports the establishment and running of member food banks across Toronto, as well as running a kitchen training program. The value of food donated to, and redistributed by, the Foundation is not included in these financial statements.

The Foundation acts as a distribution hub for the Ontario Association of Food Banks in the distribution of food in Ontario and also distributes food for Food Banks Canada.

The funding has been primarily through voluntary contributions and grants from members of the public, corporations, and charitable foundations.

2. Accounting policies:

The accounting policies of the Foundation are in accordance with Canadian generally accepted accounting principles followed by not for profit organizations. Outlined below are those policies considered particularly significant.



THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

2. Accounting policies: (cont'd)

(a) Capital assets:

During the year the Foundation changed the basis of amortization of capital assets from a declining balance basis to a straight line basis. This change was made in order to more closely approximate the amortization of the value of an asset in the accounts to its useful economic life. This change resulted in an increase in the net book value of capital assets and net assets of \$179,239 at April 1, 2009. Amortization expense was reduced by \$8,474 in 2010. The total change in the value of net assets at March 31, 2010 was \$187,713.

Capital assets are valued at cost. Amortization rates after the change referred to above are as follows:

Building structure	- 40 years, straight line basis
Building, non-structure	- 25 years, straight line basis
Equipment	- 10 years, straight line basis
Automotive equipment	- 6 years, straight line basis
Computer hardware and software	- 5 years, straight line basis

Amortization commences in the month of acquisition of the asset.

(b) Revenue recognition:

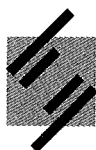
All revenues are recognized on a cash basis with the exception of interest earned on investments which is recognized in the period earned and revenues related to services such as deliveries which are recognized when service is rendered. Revenues from government and other designated grants are recognized when the related expenses they are intended to fund are incurred. Expense recoveries are recorded in the period in which the related expenses are incurred.

All donations designated by donors for the acquisition of food are allocated to the Food Fund. Similarly, donations and event proceeds designated for community support are allocated to the Community Action Fund.

Donations of physical capital assets are shown as revenues at values for which income tax receipts were issued. These values are based upon the fair market values of the assets.

(c) Inventory:

Food which has been purchased from suppliers but not yet distributed to member agencies is recorded on the balance sheet at cost.



THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

2. Accounting policies: (cont'd)

(d) Financial instruments:

The Foundation designates its cash, short-term investments, accounts receivable, long-term investment and accounts payable and accrued liabilities as held-for-trading. These financial assets and liabilities, with the exception of the long-term investment, are measured at their carrying amount which is comparable to fair value due to their short-term nature.

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

The Foundation has elected to use the exemption made available to not-for-profit organizations by the Canadian Institute of Chartered Accountants ("CICA") not to apply Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which would have otherwise applied to these financial statements. The Foundation has adopted the requirements of Section 3861, Financial Instruments - Disclosure and Presentation

(e) Cost allocations:

The Foundation 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.



THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

2. Accounting policies: (cont'd)

(e) Cost allocations: (cont'd)

- (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
Network administration	Time spent
Computer hardware and software	Cost
Human resources management	Headcount
Volunteer management	Volunteer labour hours
Central services	Usage of reception and office equipment

These expenses totalled \$1,094,101 for the year (2010 - \$900,083) and have been allocated as follows:

	2011	2010
Food distribution operations	\$393,848	\$339,344
Food preparation and purchases	408,221	354,548
Member agency support	91,862	61,183
Kitchen training program	53,787	42,766
Research and public policy	32,436	21,885
Fundraising and food solicitation	72,986	50,931
Administration	40,961	29,426
	\$1,094,101	\$900,083



THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

3. Description of Funds:

(a) Unrestricted operating fund

The Operating Fund records the operating activities of the Foundation.

(b) Invested in capital assets

The Invested in Capital Assets Fund records the Foundation's investment in capital assets used in its operations less the accumulated amortization.

(c) Restricted funds

(i) Food Fund

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

(ii) Community Action Fund

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

(iii) Building Reserve Fund

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



THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

4. Cash and cash equivalents:

Cash and cash equivalents are made up of:

	2011	2010
Cash in interest bearing deposit accounts	\$ 385,704	\$ 32,475
Short-term investments	4,291,468	4,737,106
	<u>\$ 4,677,172</u>	<u>\$ 4,769,581</u>

The Foundation maintains substantially all of its cash in interest bearing short-term investments, with the exception of amounts required for operations, in accordance with the Board of Directors' approved investment policy.

5. Long-term investment:

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



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

6. Capital assets:

	Cost	Accumulated Amortization	Net 2011	Net 2010
Land	\$ 871,388	\$ -	\$ 871,388	\$ 871,388
Building	4,255,179	823,881	3,431,298	3,010,714
Warehouse equipment	773,377	688,296	85,081	128,513
Automotive	602,698	377,887	224,811	157,893
Kitchen equipment	24,431	14,993	9,438	13,510
Computer and office equipment	520,936	231,674	289,262	318,819
	\$ 7,048,009	\$ 2,136,731	\$ 4,911,278	\$ 4,500,837

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

	2011	2010
Food distribution operations	\$ 213,431	\$ 170,983
Food preparation and purchases	60,315	51,578
Member agency support	13,819	9,666
Kitchen training program	8,155	6,842
Research and public policy	5,623	3,900
Fundraising and food solicitation	13,047	9,475
Administration	7,264	5,269
	\$ 321,654	\$ 257,713

7. Deferred contributions:

All of the deferred contributions to the Foundation have been designated for a specific use. These amounts are recognized as revenue as the related program expenses are incurred. Changes in deferred contributions are as follows:

	2011	2010
Beginning balance	\$ 338,472	\$ 402,690
Add: contributions received	1,020,098	413,578
	1,358,570	816,268
Less: contributions recognized as revenue	(708,736)	(477,796)
Ending balance	\$ 649,834	\$ 338,472



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THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

8. Donations:

Certain costs incurred by the Foundation directly in its fund raising efforts have been netted against the donation revenues. These costs amounted to \$201,415 in 2011 (\$173,083 in 2010).

9. Changes in non-cash working capital:

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

	2011	2010
(Increase) decrease in current assets:		
Accounts receivable	\$ (121,048)	\$ (43,401)
Inventory	(31,896)	2,987
Prepaid expenses	(10,287)	50,970
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	149,934	(55,919)
Deferred contributions	311,362	(64,218)
	<u>\$ 298,065</u>	<u>\$ (109,581)</u>

10. Commitments:

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

2012	\$ 20,245
2013	20,245
2014	17,361
2015	17,098
2016	7,125
	<u>\$ 82,074</u>



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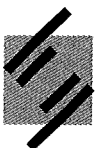
NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

11. Disclosures in compliance with Imagine Canada's Ethical Fundraising and Financial Accountability Code:

The Foundation has adopted the "Ethical Fundraising and Financial Accountability Code" of Imagine Canada. During the 2011 fiscal year the organization issued \$4,150,451 of charitable tax receipts. During this same period the Organization spent \$5,759,008 of its resources on activities which are "charitable activities" as defined by the Canada Revenue Agency. In addition during the year the Foundation distributed approximately 7.9 million pounds of donated food to its member agencies and other Daily Bread programs. Management estimates the wholesale value of this food to be approximately \$0.91 per pound. This \$7,200,000 is not reflected in these financial statements.

12. Comparative figures:

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



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