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

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**FINANCIAL STATEMENTS**

**MARCH 31, 2012**



**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, 2012, 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.

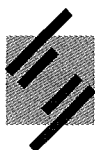
### Qualified Opinion

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, 2012 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 18, 2012





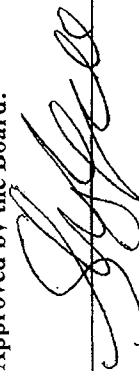
# THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

## STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2012

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2012 Total	2011 Total
<b>ASSETS</b>						
<b>Current:</b>						
Cash and cash equivalents (note 4)	\$ 2,298,564	\$ 580,531	\$ 270,327	\$ 1,327,751	\$ 4,477,173	\$ 4,677,172
Accounts receivable	163,350	4,280			167,630	228,071
Inventory of food		118,886			118,886	119,270
Prepaid expenses	114,743	5,154			119,897	113,288
	2,576,657	708,851	270,327	1,327,751	4,883,586	5,137,801
<b>Long-term investment (note 5)</b>	1				1	1
<b>Capital assets (note 6)</b>	5,197,076				5,197,076	4,911,278
	\$ 7,773,734	\$ 708,851	\$ 270,327	\$ 1,327,751	\$ 10,080,663	\$ 10,049,080
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current:</b>						
Accounts payable and accrued liabilities	\$ 393,890	\$ 127,186	\$ 3,501	\$	\$ 524,577	\$ 511,177
Deferred contributions (note 7)	167,976	107,049			275,025	317,205
	561,866	234,235	3,501		799,602	828,382
<b>Long term:</b>						
Deferred contributions, capital (note 7)	518,546				518,546	332,629
<b>Net assets: (note 3)</b>						
Unrestricted operating fund (note 6)	6,693,322				6,693,322	6,798,620
Food fund		474,616			474,616	475,001
Community action fund			266,826		266,826	223,219
Building reserve fund				1,327,751	1,327,751	1,391,229
	6,693,322	474,616	266,826	1,327,751	8,762,515	8,888,069
	\$ 7,773,734	\$ 708,851	\$ 270,327	\$ 1,327,751	\$ 10,080,663	\$ 10,049,080

See accompanying notes to the financial statements.

Approved by the Board:



Director



Director



# THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2012

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2012 Total	2011 Total
<b>Revenues:</b>						
Donations (note 8)						
Individuals	\$ 2,359,861	\$ 496,441	\$ 1,900	\$	\$ 2,858,202	\$ 2,854,049
Corporations and foundations	1,384,197	235,234	155,395		1,774,826	1,398,517
Community fundraising and events	1,358,785	110,969	97,871		1,567,625	1,587,357
Bequests	144,250				144,250	322,137
	5,247,093	842,644	255,166		6,344,903	6,162,060
Designated program grants	242,666				242,666	228,895
Government grants	73,266	215,752			289,018	262,497
Fee-for-service revenues	116,785				116,785	94,314
Investment income	51,831			25,370	77,201	80,428
Other income	33,007				33,007	29,471
	5,764,648	1,058,396	255,166	25,370	7,103,580	6,857,665
<b>Expenses:</b>						
Food distribution operations	1,738,238			37,913	1,776,151	1,696,518
Food preparation and purchases	1,017,818	1,644,590			2,662,408	2,345,910
Member agency support	634,102		211,559		845,661	846,966
Kitchen training program	299,655				299,655	278,177
Research and public policy	489,805				489,805	591,437
Fundraising and food solicitation	713,911				713,911	646,957
Administration	441,543				441,543	431,733
	5,335,072	1,644,590	211,559	37,913	7,229,134	6,837,698
<b>Excess (deficiency) of revenues over expenses</b>						
Net assets, beginning of year	429,576	(586,194)	43,607	(12,543)	(125,554)	19,967
Purchase of capital assets charged to Building reserve fund (note 12)	6,798,620	475,001	223,219	1,391,229	8,888,069	8,868,102
Approved Board allocations	349,579	585,809		(349,579)		
	(884,453)			298,644		
<b>Net assets, end of year</b>	\$ 6,693,322	\$ 474,616	\$ 266,826	\$ 1,327,751	\$ 8,762,515	\$ 8,888,069

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, 2012

	2012	2011
<b>Operating activities:</b>		
Excess (deficiency) of revenues over expenses for the year	\$ (125,554)	\$ 19,967
Adjusted for non-cash items:		
Amortization	329,493	321,654
	203,939	341,621
Net change in non-cash working capital balances (note 9)	25,436	92,680
<b>Cash provided by operating activities</b>	<b>229,375</b>	<b>434,301</b>
<b>Financing activities:</b>		
Increase in deferred contributions, capital	185,917	205,385
<b>Cash provided by financing activities</b>	<b>185,917</b>	<b>205,385</b>
<b>Investing activities:</b>		
Expenditures on capital assets	(615,291)	(739,031)
Proceeds on disposal of capital assets	-	6,936
<b>Cash used in investing activities</b>	<b>(615,291)</b>	<b>(732,095)</b>
<b>Net decrease in cash during the year</b>	<b>(199,999)</b>	<b>(92,409)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>4,677,172</b>	<b>4,769,581</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,477,173</b>	<b>\$ 4,677,172</b>

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, 2012

### 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 but is provided in Note 11.

The Foundation 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.

### 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, 2012

### 2. Accounting policies: (cont'd)

#### (a) Capital assets:

In 2011 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.

Capital assets are valued at cost or at market value in the case of donated assets. 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
Office equipment	- 10 years, straight line basis
Kitchen equipment	- 10 years, straight line basis
Warehouse equipment	- 5-10 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 donations 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 donations at fair market value.

#### (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, 2012

### 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, 2012

### 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
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

These expenses totalled \$1,042,034 for the year (2011 - \$1,094,101) and have been allocated as follows:

	<b>2012</b>	<b>2011</b>
Food distribution operations	\$387,604	\$393,848
Food preparation and purchases	372,695	408,221
Member agency support	96,146	91,862
Kitchen training program	43,012	53,787
Research and public policy	32,007	32,436
Fundraising and food solicitation	70,581	72,986
Administration	39,989	40,961
	<b>\$1,042,034</b>	<b>\$1,094,101</b>



# THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2012

### 3. Description of Funds:

(a) Unrestricted operating fund

The Operating Fund records the operating activities of the Foundation.

(b) Restricted funds:

(i) Food Fund

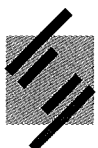
All donations designated by donors for the acquisition of food are allocated to the Food Fund and the majority of food expenditures are made from this fund. Additional monies are also transferred to the fund as necessary to maintain an adequate balance.

(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, 2012

### 4. Cash and cash equivalents:

Cash and cash equivalents are made up of:

	2012	2011
Cash	\$ 192,905	\$ 21,617
Short-term investments	4,284,268	4,655,555
	<u>\$ 4,477,173</u>	<u>\$ 4,677,172</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.



# THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2012

### 6. Capital assets:

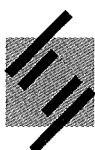
	Cost	Accumulated Amortization	Net 2012	Net 2011
Land	\$ 871,388	\$ -	\$ 871,388	\$ 871,388
Building	4,616,590	943,731	3,672,859	3,431,298
Warehouse equipment	786,731	727,903	58,828	85,081
Automotive equipment	778,494	449,725	328,769	224,811
Kitchen equipment	39,672	20,068	19,604	9,438
Computer and office equipment	570,426	324,798	245,628	289,262
	<u>\$ 7,663,301</u>	<u>\$ 2,466,225</u>	<u>\$ 5,197,076</u>	<u>\$ 4,911,278</u>

Of the total Unrestricted Operating Fund balance of \$6,693,322 (2011 - \$6,798,620), the amount invested in capital assets is \$4,678,530 (2011 - \$4,578,649):

	2012	2011
Total investment in capital assets	\$ 5,197,076	\$ 4,911,278
Less: amount funded by deferred contributions	(518,546)	(332,629)
Unrestricted Operating Fund invested in capital assets	<u>\$ 4,678,530</u>	<u>\$ 4,578,649</u>

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

	2012	2011
Food distribution operations	\$ 204,996	\$ 213,431
Food preparation and purchases	68,474	60,315
Member agency support	16,293	13,819
Kitchen training program	9,556	8,155
Research and public policy	6,539	5,623
Fundraising and food solicitation	15,184	13,047
Administration	8,451	7,264
	<u>\$ 329,493</u>	<u>\$ 321,654</u>



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# THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2012

### 7. Deferred contributions:

All of the deferred contributions to the Foundation 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:

	Current	Capital	Total 2012	Total 2011
Beginning balance	\$ 317,205	\$ 332,629	\$ 649,834	\$ 338,472
Add: grants received	438,100	258,434	696,534	1,020,098
	755,305	591,063	1,346,368	1,358,570
Less: contributions recognized as revenue	(480,280)	(72,517)	(552,797)	(708,736)
Ending balance	\$ 275,025	\$ 518,546	\$ 793,571	\$ 649,834

### 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 \$179,123 in 2012 (\$201,415 in 2011).

### 9. Changes in non-cash working capital:

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

	2012	2011
(Increase) decrease in current assets:		
Accounts receivable	\$ 60,441	\$ (121,048)
Inventory	384	(31,896)
Prepaid expenses	(6,609)	(10,287)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	13,400	149,934
Deferred contributions	(42,180)	105,977
	\$ 25,436	\$ 92,680



# THE DAILY BREAD FOOD BANK FOUNDATION OF TORONTO

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2012

### 10. Commitments:

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

2013	\$	20,443
2014		17,599
2015		17,336
2016		17,336
2017		17,336
		<hr/>
		\$ 90,050

### 11. Disclosures in compliance with Imagine Canada's Standards Program:

During the 2012 fiscal year the Foundation applied for certification under Imagine Canada's new "Standards Program" for Canada's Charitable and Nonprofit Sector. Accreditation was confirmed on May 8, 2012. In previous years the Foundation adhered to the "Ethical Fundraising and Financial Accountability Code", a less extensive set of standards focusing mainly on the area of fund development.

During the 2012 fiscal year the Foundation issued \$5,023,229 (2011 - \$4,150,451) of charitable tax receipts. During this same period the Foundation spent \$6,073,680 (2011 - \$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 8.2 million (2011 - 7.9 million) pounds of donated food to its member agencies and other Foundation programs. Management estimates the wholesale value of this food to be approximately \$0.89 (2011 - \$0.91) per pound. While purchased food is reflected in these financial statements the \$7,300,000 (2011 - \$7,200,000) of donated food is not included.

### 12. Building Reserve Fund:

The Reserve Fund Study performed in 2008 forecast some significant expenditures to maintain the assets of the Foundation. During 2012 these expenditures amounted to \$349,579 (2011 - \$272,834) and were funded by the Building Reserve Fund in accordance with its mandate.

### 13. Comparative figures:

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



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