
DAILY BREAD FOOD BANK

FINANCIAL STATEMENTS

MARCH 31, 2013



Saeed & Company
Chartered Accountant Professional Corporation



INDEPENDENT AUDITOR'S REPORT

To the Members of
Daily Bread Food Bank:

We have audited the accompanying financial statements of Daily Bread Food Bank, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 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, and cash flows from operations for the years ended March 31, 2013 and March 31, 2012, and assets and net assets as at March 31, 2013, March 31, 2012 and April 1, 2011.

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 March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, in accordance with Canadian accounting standards for not-for-profit organizations.



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

Toronto, Ontario
September 3, 2013



Saeed & Company
Chartered Accountant Professional Corporation



DAILY BREAD FOOD BANK

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2013 Total	2012 Total	April 1, 2011 Total
ASSETS							
Current:							
Cash and cash equivalents (note 5)	\$ 1,593,008	\$ 450,345	\$ 153,723	\$ 1,438,514	\$ 3,635,590	\$ 4,477,173	4,677,172
Accounts receivable	118,253	60			118,313	167,630	228,071
Inventory of food		189,382			189,382	118,886	119,270
Prepaid expenses	125,874	1,740			127,614	119,897	113,288
Long-term investment (note 7)	1,837,135	641,527	153,723	1,438,514	4,070,899	4,883,586	5,137,801
Capital assets (note 8)	5,108,686				5,108,686	5,197,076	4,911,278
	\$ 6,945,822	\$ 641,527	\$ 153,723	\$ 1,438,514	\$ 9,179,586	\$ 10,080,663	10,049,080
LIABILITIES AND NET ASSETS							
Current:							
Accounts payable and accrued liabilities (note 6)	\$ 402,040	\$ 137,359	\$ 3,409	\$	\$ 542,808	\$ 524,577	511,177
Deferred contributions (note 9)	203,693	4,166			207,859	275,025	317,205
Long term:	605,733	141,525	3,409		750,667	799,602	828,382
Deferred contributions, capital (note 9)	422,287				422,287	518,546	332,629
Net assets: (note 4)	5,917,802				5,917,802	6,693,322	6,798,620
Unrestricted operating fund (note 8)		500,002			500,002	474,616	475,001
Food fund							
Community action fund			150,314		150,314	266,826	223,219
Building reserve fund				1,438,514	1,438,514	1,327,751	1,391,229
	5,917,802	500,002	150,314	1,438,514	8,006,632	8,762,515	8,888,069
	\$ 6,945,822	\$ 641,527	\$ 153,723	\$ 1,438,514	\$ 9,179,586	\$ 10,080,663	10,049,080

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 MARCH 31, 2013

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2013 Total	2012 Total
Revenues:						
Donations (note 10)						
Individuals	\$ 2,327,079	\$ 772,469	\$ 4,050	\$	\$ 3,103,598	\$ 2,858,202
Corporations and foundations	1,009,401	130,762			1,140,163	1,774,826
Community fundraising and events	1,455,946	282,794	16,333		1,755,073	1,567,625
Bequests	61,464				61,464	144,250
	4,853,890	1,186,025	20,383		6,060,298	6,344,903
Designated program grants	286,837				286,837	242,666
Government grants	71,260	198,001			269,261	289,018
Fee-for-service revenues	112,190				112,190	116,785
Investment income	23,328			18,148	41,476	77,201
Other income	28,810				28,810	33,007
	5,376,315	1,384,026	20,383	18,148	6,798,872	7,103,580
Expenses:						
Food distribution operations	1,752,741				1,754,352	1,776,151
Food preparation and purchases	1,060,689	1,844,124		1,611	2,904,813	2,662,408
Member agency support	672,010		136,895		808,905	845,661
Kitchen training program	322,338				322,338	299,655
Research, education and communications	475,395				475,395	489,805
Fundraising and food solicitation	832,601				832,601	713,911
Administration	456,351				456,351	441,543
	5,572,125	1,844,124	136,895	1,611	7,554,755	7,229,134
Excess (deficiency) of revenues over expenses						
Net assets, beginning of year	(195,810)	(460,098)	(116,512)	16,537	(755,883)	(125,554)
Purchase of capital assets charged to Building reserve fund (note 1.5)	6,693,322	474,616	266,826	1,327,751	8,762,515	8,888,069
Approved Board allocations	42,475			(42,475)		
	(622,185)	485,484		136,701		
Net assets, end of year	\$ 5,917,802	\$ 500,002	\$ 150,314	\$ 1,438,514	\$ 8,006,632	\$ 8,762,515

See accompanying notes to the financial statements.

DAILY BREAD FOOD BANK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
Operating activities:		
Deficiency of revenues over expenses for the year	\$ (755,883)	\$ (125,554)
Adjusted for non-cash items:		
Amortization	327,302	329,493
	(428,581)	203,939
Net change in non-cash working capital balances (note 11)	(77,831)	25,436
Cash provided by (used in) operating activities	(506,412)	229,375
Financing activities:		
Increase (decrease) in deferred contributions, capital	(96,259)	185,917
Cash provided by (used in) financing activities	(96,259)	185,917
Investing activities:		
Expenditures on capital assets	(238,912)	(615,291)
Cash used in investing activities	(238,912)	(615,291)
Net decrease in cash during the year	(841,583)	(199,999)
Cash and cash equivalents, beginning of year	4,477,173	4,677,172
Cash and cash equivalents, end of year	\$ 3,635,590	\$ 4,477,173

See accompanying notes to the financial statements.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2013

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, and runs a kitchen training program. The value of food donated to and redistributed by the Organization is not included in these financial statements but is provided in Note 14.

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. First time adoption of Canadian accounting standards for not-for-profit organizations:

These financial statements were prepared in accordance with Part III of the CICA Handbook-Accounting, Accounting Standards for Not-for-Profit Organizations ("Part III").

Daily Bread Food Bank's first reporting period using Part III is for the year ended March 31, 2013. As a result, the date of transition to Part III is April 1, 2011. As these financial statements are the first financial statements for which the Organization has applied Part III, the financial statements have been prepared in accordance with the provisions set out in Section 1501 of Part III, First-time Adoption by Not-for-Profit Organizations.

The Organization is required to apply Part III effective for periods ending on March 31, 2013 in:

- a) preparing and presenting its opening statement of financial position at April 1, 2011; and
- b) preparing and presenting its statement of financial position for March 31, 2013 (including comparative amounts for 2012), statement of operations, statement of changes in net assets, and statement of cash flows for the year ended March 31, 2013 (including comparative amounts for 2012) and disclosures (including comparative information for 2012).

The adoption of this new financial reporting framework has no impact on the previously reported statement of financial position as at April 1, 2011, or on the previously reported statements of operations and changes in net assets, and cash flows for the year ended March 31, 2012. Consequently, a reconciliation of previously reported items to those reported using the new standards has not been prepared.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2013

3. Accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, using the restricted fund method of accounting for restricted contributions. Outlined below are those policies considered particularly significant:

(a) 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
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:

The Organization follows the restricted fund method of accounting. Unrestricted contributions are recognized as revenue of the Operating Fund. 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.

The value of volunteer time and donated food is not recorded in the financial statements because of the difficulty of determining their fair value.

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

(c) 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 inventories is determined on a first-in, first-out basis.



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2013

3. Accounting policies: (cont'd)

(d) 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, accounts receivable and cash equivalents consisting of fixed-income investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The fair value of cash, accounts receivable, fixed-income investments, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

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

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.

(e) Management 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), accrued liabilities and allowance for doubtful accounts. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

(f) Cost allocations:

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.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2013

3. Accounting policies: (cont'd)

(g) 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 totaled \$1,174,272 for the year (2012 - \$1,042,034) and have been allocated as follows:

	2013	2012
Food distribution operation	\$ 399,646	\$ 387,604
Food preparation and purchases	418,060	372,695
Member agency support	125,925	96,146
Kitchen training program	50,876	43,012
Research and public policy	39,847	32,007
Fundraising and food solicitation	91,504	70,581
Administration	48,414	39,989
	\$ 1,174,272	\$ 1,042,034



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2013

4. Description of Funds:

(a) Unrestricted operating fund

The Operating Fund records the operating activities of the Organization.

(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 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%. The Board of Directors has implemented these recommendations .



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2013

5. Cash and cash equivalents:

Cash and cash equivalents are made up of:

	2013	2012
Cash	\$ 111,715	\$ 192,905
Short-term investments	3,523,875	4,284,268
	<u>\$ 3,635,590</u>	<u>\$ 4,477,173</u>

The Organization 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.

6. Accounts payable and accrued liabilities:

The balance at December 31 includes the following government remittances payable:

	2013	2012	April 1, 2011
Payroll taxes	\$ 32,933	\$ 29,358	\$ 41,696

7. Long-term investment:

The Organization 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 Organization 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.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2013

8. Capital assets:

	Cost	Accumulated Amortization	Net 2013	Net 2012
Land	\$ 871,388	\$ -	\$ 871,388	\$ 871,388
Building	4,802,359	1,073,042	3,729,317	3,672,859
Warehouse equipment	797,493	749,207	48,286	58,828
Automotive equipment	785,801	528,202	257,599	328,769
Kitchen equipment	39,672	24,895	14,777	19,604
Computer and office equipment	605,499	418,180	187,319	245,628
	\$ 7,902,212	\$ 2,793,526	\$ 5,108,686	\$ 5,197,076

Of the total Unrestricted Operating Fund balance of \$5,917,802 (2012 - \$6,693,322), the amount invested in capital assets is \$4,686,399 (2012 - \$4,678,530):

	2013	2012
Total investment in capital assets	\$ 5,108,686	\$ 5,197,076
Less: amount funded by deferred contributions	(422,287)	(518,546)
Unrestricted Operating Fund invested in capital assets	\$ 4,686,399	\$ 4,678,530

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

	2013	2012
Food distribution operations	\$ 195,388	\$ 204,996
Food preparation and purchases	70,906	68,474
Member agency support	16,070	16,293
Kitchen training program	9,845	9,556
Research and public policy	8,437	6,539
Fundraising and food solicitation	17,943	15,184
Administration	8,713	8,451
	\$ 327,302	\$ 329,493



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2013

9. 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:

	Current	Capital	Total 2013	Total 2012
Beginning balance	\$ 275,025	\$ 518,546	\$ 793,571	\$ 649,834
Add: grants received	448,323		448,323	696,534
	723,348	518,546	1,241,894	1,346,368
Less: contributions recognized as revenue	(515,489)	(96,259)	(611,748)	(552,797)
Ending balance	\$ 207,859	\$ 422,287	\$ 630,146	\$ 793,571

10. Donations:

Certain costs incurred by the Organization directly in its fund raising efforts have been netted against the donation revenues. These costs amounted to \$134,475 in 2013 (\$179,123 in 2012).

11. Changes in non-cash working capital:

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

	2013	2012
(Increase) decrease in current assets:		
Accounts receivable	\$ 49,317	\$ 60,441
Inventory	(70,496)	384
Prepaid expenses	(7,717)	(6,609)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	18,231	13,400
Deferred contributions	(67,166)	(42,180)
	\$ (77,831)	\$ 25,436



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2013

12. Commitments:

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

2014	\$	17,599
2015		17,336
2016		17,336
2017		17,336
2018		11,558
		<hr/>
		\$ 81,165

13. 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 term deposits. Management believes concentrations of credit risk with respect to amounts receivable is limited due to the credit quality of the parties extended credit. The term deposits are invested with large financial institutions.

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 MARCH 31, 2013

14. 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 Charitable and Nonprofit Sector. Accreditation was confirmed on May 8, 2012. During the 2013 fiscal year the Organization issued \$4,822,351 (2012 - \$5,023,229) of charitable tax receipts. During this same period the Organization spent \$6,265,805 (2012 - \$6,073,680) of its resources on activities which are "charitable activities" as defined by the Canada Revenue Agency. In addition during the year the Organization distributed approximately 6.7 million (2012 - 8.2 million) pounds of donated food to its member agencies and other programs. Including purchased food, a total of approximately 9.1 million (2012 - 10.5 million) pounds was distributed during the year. 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 for the year was approximately \$22.7 million (2012 - \$26.3 million).

15. Building Reserve Fund:

The Reserve Fund Study performed in 2008 forecast some significant expenditures to maintain the assets of the Organization. During 2013 these expenditures amounted to \$42,475 (2012 - \$349,579) and were funded by the Building Reserve Fund in accordance with its mandate.

