
DAILY BREAD FOOD BANK

FINANCIAL STATEMENTS

MARCH 31, 2014





INDEPENDENT AUDITORS' REPORT

To the Members of
Daily Bread Food Bank:

We have audited the accompanying financial statements of Daily Bread Food Bank, which comprise the statement of financial position as at March 31, 2014, 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.

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 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 March 31, 2014 and 2013, assets as at March 31, 2014 and 2013 and net assets as at March 31, 2014, March 31, 2013 and April 1, 2012.

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 Organization as at March 31, 2014 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.



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

Toronto, Ontario
September 9, 2014



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DAILY BREAD FOOD BANK

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2014 Total	2013 Total
ASSETS						
Current:						
Cash	\$ 66,171	\$	\$	\$	\$ 66,171	\$ 111,715
Short-term investments	1,722,744	361,338	9,453	1,577,051	3,670,586	3,523,875
Accounts receivable	103,881	62,560			166,441	118,313
Inventory of food		103,750			103,750	189,382
Prepaid expenses	147,919	1,740			149,659	127,614
	2,040,715	529,388	9,453	1,577,051	4,156,607	4,070,899
Long-term investments (note 4)	1				1	1
Capital assets (note 5)	4,877,101				4,877,101	5,108,686
	\$ 6,917,817	\$ 529,388	\$ 9,453	\$ 1,577,051	\$ 9,033,709	\$ 9,179,586
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 251,363	\$ 29,386	\$ 29	\$	\$ 280,778	\$ 542,808
Deferred contributions (note 6)	125,215				125,215	207,859
	376,578	29,386	29		405,993	750,667
Long term liabilities:						
Deferred contributions, capital (note 6)	326,028				326,028	422,287
Total liabilities	702,606	29,386	29		732,021	1,172,954
Net assets: (note 3)						
Unrestricted operating fund	6,215,211				6,215,211	5,917,802
Food fund		500,002			500,002	500,002
Community action fund			9,424		9,424	150,314
Building reserve fund				1,577,051	1,577,051	1,438,514
	6,215,211	500,002	9,424	1,577,051	8,301,688	8,006,632
	\$ 6,917,817	\$ 529,388	\$ 9,453	\$ 1,577,051	\$ 9,033,709	\$ 9,179,586

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, 2014

	Operating Fund	Food Fund	Community Action Fund	Building Reserve Fund	2014 Total	2013 Total
Revenues:						
Monetary donations (note 7)	\$ 5,199,533	\$ 971,215	\$	\$	\$ 6,170,748	\$ 5,998,834
Bequests	195,111				195,111	61,464
Designated program grants	409,703				409,703	286,837
Government grants	96,636	316,666			413,302	269,261
Fee-for-service revenues	141,482				141,482	112,190
Investment income	25,348			21,570	46,918	41,476
Other income	35,591				35,591	28,810
	6,103,404	1,287,881		21,570	7,412,855	6,798,872
Donated food		5,489,212			5,489,212	5,877,476
	6,103,404	6,777,093		21,570	12,902,067	12,676,348
Expenses:						
Food distribution operations	1,600,522				1,600,522	1,754,352
Food preparation and purchases	986,299	1,592,658			2,578,957	2,904,813
Member agency support	662,724		140,890		803,614	808,905
Kitchen training program	292,386				292,386	322,338
Research and public policy	502,950				502,950	475,395
Fundraising and food solicitation	916,033				916,033	832,601
Administration	423,337				423,337	456,351
	5,384,251	1,592,658	140,890		7,117,799	7,554,755
Distribution of donated food		5,489,212			5,489,212	5,877,476
	5,384,251	7,081,870	140,890		12,607,011	13,432,231
Excess (deficiency) of revenues over expenses						
Net assets, beginning of year	719,153	(304,777)	(140,890)	21,570	295,056	(755,883)
Purchase of capital assets charged to Building reserve fund (note 12)	5,917,802	500,002	150,314	1,438,514	8,006,632	8,762,515
Approved Board allocations	21,729 (443,473)	304,777		(21,729) 138,696		
Net assets, end of year	\$ 6,215,211	\$ 500,002	\$ 9,424	\$ 1,577,051	\$ 8,301,688	\$ 8,006,632

See accompanying notes to the financial statements.



DAILY BREAD FOOD BANK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
Operating activities:		
Excess (deficiency) of revenues over expenses	\$ 295,056	\$ (755,883)
Adjusted for non-cash items:		
Amortization	309,235	327,302
	604,291	(428,581)
Net change in non-cash working capital balances (note 8)	(329,215)	(77,831)
Cash provided by operating activities	275,076	(506,412)
Financing activities:		
(Decrease) in deferred contributions, capital	(96,259)	(96,259)
Cash used in financing activities	(96,259)	(96,259)
Investing activities:		
Expenditures on capital assets	(77,649)	(238,912)
Net (purchases) sales of short-term investments	(146,712)	760,393
Cash used in investing activities	(224,361)	521,481
Net increase (decrease) in cash during the year	(45,544)	(81,190)
Cash, beginning of year	111,715	192,905
Cash, end of year	\$ 66,171	\$ 111,715

See accompanying notes to the financial statements.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

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 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. 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) 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.

(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 year value was calculated at \$0.79 per pound (\$0.82 in 2013).

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



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

2. Accounting policies: (cont'd)

(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. As donated food has no net realizable value it is not included in the inventory balance.

(d) 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.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

2. Accounting policies: (cont'd)

(e) 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.

(f) 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.

(g) Cash

Cash excludes guaranteed investment certificates which are classified as short-term investments in accordance with the Organization's policy.



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

2. Accounting policies: (cont'd)

(h) 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.
- (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 \$1,202,534 for the year (2013 - \$1,174,272) and have been allocated as follows:

	<u>2014</u>	<u>2013</u>
Food distribution operation	\$ 424,395	\$ 399,646
Food preparation and purchases	425,369	418,060
Member agency support	128,713	125,925
Kitchen training program	48,290	50,876
Research and public policy	38,860	39,847
Fundraising and food solicitation	90,939	91,504
Administration	45,968	48,414
	<u>\$1,202,534</u>	<u>\$ 1,174,272</u>



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

3. 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 .

4. 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.



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

5. Capital assets:

	Cost	Accumulated Amortization	Net 2014	Net 2013
Land	\$ 871,388	\$ -	\$ 871,388	\$ 871,388
Building	4,830,004	1,205,782	3,624,222	3,729,317
Warehouse equipment	797,493	757,136	40,357	48,286
Automotive	671,987	443,507	228,480	257,599
Kitchen equipment	39,672	29,255	10,417	14,777
Computer and office equipment	562,283	460,046	102,237	187,319
	\$ 7,772,827	\$ 2,895,726	\$ 4,877,101	\$ 5,108,686

Of the total Unrestricted Operating Fund balance of \$6,215,211 (2013 - \$5,917,802), the amount invested in capital assets is \$4,551,073 (2013 - \$4,686,399):

	2014	2013
Total investment in capital assets	\$ 4,877,101	\$ 5,108,686
Less: amount funded by deferred contributions	(326,028)	(422,287)
Unrestricted Operating Fund invested in capital assets	\$ 4,551,073	\$ 4,686,399

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

	2014	2013
Food distribution operations	\$ 178,882	\$ 195,388
Food preparation and purchases	71,186	70,906
Member agency support	15,620	16,070
Kitchen training program	9,536	9,845
Research and public policy	8,152	8,437
Fundraising and food solicitation	17,424	17,943
Administration	8,435	8,713
	\$ 309,235	\$ 327,302



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

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:

	Current	Capital	Total 2014	Total 2013
Beginning balance	\$ 207,859	\$ 422,287	\$ 630,146	\$ 793,571
Add: grants received	419,400		419,400	448,323
	627,259	422,287	1,049,546	1,241,894
Less: contributions recognized as revenue	(502,044)	(96,259)	(598,303)	(611,748)
Ending balance	\$ 125,215	\$ 326,028	\$ 451,243	\$ 630,146

7. Donations:

Certain costs incurred by the Organization directly in its fund raising efforts have been netted against the donation revenues. These costs amounted to \$184,567 in 2014 (\$134,475 in 2013).

8. Changes in non-cash working capital:

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

	2014	2013
(Increase) decrease in current assets:		
Accounts receivable	\$ (48,128)	\$ 49,317
Inventory	85,632	(70,496)
Prepaid expenses	(22,045)	(7,717)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(262,030)	18,231
Deferred contributions	(82,644)	(67,166)
	\$ (329,215)	\$ (77,831)



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

9. Commitments:

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

2015	\$	18,977
2016		19,126
2017		19,126
2018		13,347
2019		1,789
After 2019		1,491

	\$	73,856
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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 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.



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NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

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 Charitable and Nonprofit Sector. Accreditation was confirmed on May 8, 2012. During the 2014 fiscal year the Organization issued \$5,073,931 (2013 - \$4,822,351) of charitable tax receipts. During this same period the Organization spent \$5,778,429 (2013 - \$6,265,805) of its monetary resources on activities which are "charitable activities" as defined by the Canada Revenue Agency. In addition during the year the Organization distributed approximately 6.9 million (2013 - 6.7 million) pounds of donated food to its member agencies and other programs. Including purchased food, a total of approximately 8.8 million (2013 - 9.1 million) pounds was distributed during the year.

While management has included donated food in these financial statements at its estimated wholesale value of \$0.79 (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 \$22 million (2013 - \$22.7 million).

12. Building Reserve Fund:

The Reserve Fund Study performed in 2008 forecast some significant expenditures to maintain the assets of the Organization. During 2014 these expenditures amounted to \$21,729 (2013 - \$42,475) 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.

