
DAILY BREAD FOOD BANK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018



Saeed & Company

Chartered Accountant Professional Corporation



INDEPENDENT AUDITOR'S REPORT

To the Members of
Daily Bread Food Bank:

Report on the Financial Statements

We have audited the accompanying financial statements of Daily Bread Food Bank, which comprise the statement of financial position as at June 30, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Daily Bread Food Bank derives revenues from the general public in the form of monetary donations and donated food, the completeness and valuation of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenditures and cash flows from operations for the years ended June 30, 2018 and June 30, 2017, assets as at June 30, 2018 and June 30, 2017 and net assets as at June 30, 2018, June 30, 2017 and July 1, 2016.

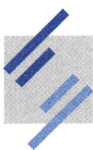
Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Daily Bread Food Bank as at June 30, 2018 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 Chartered Professional Accountants of Ontario

Toronto, Ontario
October 18, 2018



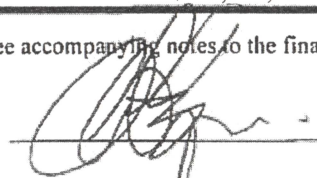
DAILY BREAD FOOD BANK

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

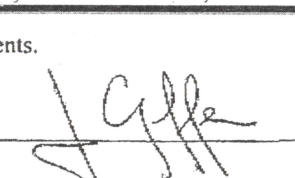
	Operating Fund	Food Fund	Building Reserve Fund	2018 Total	2017 Total
ASSETS					
Current assets:					
Cash	\$ 1,170,915	\$ -	\$ -	\$ 1,170,915	\$ 466,008
Short-term investments (note 3)	2,507,399	55,000	903,782	3,466,181	4,265,524
Accounts receivable	297,180	-	-	297,180	155,880
Inventory	-	68,769	-	68,769	38,606
Prepaid expenses	204,904	11,911	-	216,815	149,334
	4,180,398	135,680	903,782	5,219,860	5,075,352
Capital assets (note 4)	5,558,023	-	-	5,558,023	4,691,482
	\$ 9,738,421	\$ 135,680	\$ 903,782	\$ 10,777,883	\$ 9,766,834
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued liabilities (note 5)	\$ 472,636	\$ 96,505	\$ 186	\$ 569,327	\$ 421,974
Deferred contributions (note 6)	335,650	39,175	-	374,825	328,244
	808,286	135,680	186	944,152	750,218
Deferred contributions, capital (note 6)	893,728	-	-	893,728	427,186
Total liabilities	1,702,014	135,680	186	1,837,880	1,177,404
Net assets:					
Unrestricted operating fund	8,036,407	-	-	8,036,407	6,809,848
Food fund	-	-	-	-	-
Building reserve fund	-	-	903,596	903,596	1,779,582
	8,036,407	-	903,596	8,940,003	8,589,430
	\$ 9,738,421	\$ 135,680	\$ 903,782	\$ 10,777,883	\$ 9,766,834

See accompanying notes to the financial statements.

Approved by the Board:

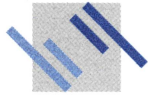


Director



Director





DAILY BREAD FOOD BANK

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2018

	Operating Fund	Food Fund	Building Reserve Fund	2018 Total	2017 Total
Revenues:					
Monetary donations	\$ 8,184,174	\$ 300,606	\$ -	\$ 8,484,780	\$ 7,586,614
Bequests	316,257	-	-	316,257	264,284
Designated program grants	50,107	14,583	-	64,690	73,182
Government grants	85,917	327,660	-	413,577	400,192
Fee-for-service revenues	205,309	-	-	205,309	194,408
Investment income	29,804	-	21,022	50,826	52,429
Other income	78,215	53,316	-	131,531	89,957
	8,949,783	696,165	21,022	9,666,970	8,661,066
Donated food (note 2)	-	20,885,763	-	20,885,763	17,983,705
	8,949,783	21,581,928	21,022	30,552,733	26,644,771
Expenses:					
Food distribution operations	2,044,347	-	-	2,044,347	1,862,790
Food preparation and purchases	869,029	1,902,893	-	2,771,922	2,647,581
Member agency support	843,687	-	3,991	847,678	871,271
Kitchen	204,852	-	-	204,852	220,426
Research and public policy	476,732	-	-	476,732	456,143
Fundraising	1,967,180	-	-	1,967,180	1,120,414
Administration	1,003,686	-	-	1,003,686	1,017,733
	7,409,513	1,902,893	3,991	9,316,397	8,196,358
Distribution of donated food (note 2)	-	20,885,763	-	20,885,763	17,983,705
	7,409,513	22,788,656	3,991	30,202,160	26,180,063
Excess (deficiency) of revenues over expenses	1,540,270	(1,206,728)	17,031	350,573	464,708
Net assets, beginning of year	6,809,848	-	1,779,582	8,589,430	8,124,722
Purchase of capital assets charged to Building reserve fund (note 12)	893,017	-	(893,017)	-	-
Approved Board allocations	(1,206,728)	1,206,728	-	-	-
Net assets, end of year	\$ 8,036,407	\$ -	\$ 903,596	\$ 8,940,003	\$ 8,589,430

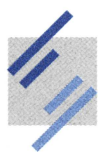
See accompanying notes to the financial statements.

DAILY BREAD FOOD BANK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
Operating activities:		
Excess of revenues over expenses	\$ 350,573	\$ 464,708
Adjusted for non-cash items:		
Amortization	237,093	244,266
Gain on disposal of capital assets	(550)	-
	587,116	708,974
Net change in non-cash working capital balances (note 8)	(45,008)	(103,014)
Cash provided by operating activities	542,108	605,960
Financing activities:		
Increase (decrease) in deferred contributions, capital	466,542	(5,130)
Cash provided by (used in) financing activities	466,542	(5,130)
Investing activities:		
Purchase of capital assets	(1,103,636)	(176,744)
Net purchases of short-term investments	799,343	(302,272)
Proceeds on disposition of capital assets	550	-
Cash provided by (used in) investing activities	(303,743)	(479,016)
Net increase in cash during the year	704,907	121,814
Cash, beginning of year	466,008	344,194
Cash, end of year	\$ 1,170,915	\$ 466,008

See accompanying notes to the financial statements.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1. Organization:

Daily Bread Food Bank (the "Organization") was incorporated under the Canada Business Corporations Act on October 19, 1983 and continued under Articles of Continuance on January 15, 2013. These articles of continuance changed the name of the Organization from The Daily Bread Food Bank Foundation of Toronto to Daily Bread Food Bank. It is a registered charity under the Income Tax Act of Canada (the "Act"), and as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements of the Act.

The Organization's objective is to alleviate hunger and help fight the underlying poverty that causes hunger. This is done through the solicitation, purchase, preparation and distribution of food to those in need via member agencies that directly serve clients. It is also accomplished through research, education, and advocating for improved government policies to eliminate poverty. In addition, the Organization supports the establishment and running of member food banks across Toronto.

The Organization acts as a distribution hub for the Ontario Association of Food Banks in the distribution of food in Ontario.

The funding has been primarily through voluntary contributions and grants from members of the public, corporations, and charitable foundations. The Organization also receives funding from the City of Toronto to purchase food to be distributed to drop-in centres across Toronto.

2. Summary of significant accounting policies:

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

(a) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted funds. All other restricted contributions for which no restricted funds have been established are deferred and recognized as revenue of the Operating Fund in the years in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Operating Fund.

Government and other grants are recognized on an accrued basis and deferred until earned. Government grants relating to capital assets are deferred in an amount equal to the undepreciated cost of the related capital assets.

Investment income is recognized as earned.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

(b) Donated goods and services

As is customary with other charitable organizations 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 using a value of \$2.60 per pound (2017 - \$2.50 per pound). This value was determined by a third party national food cost survey commissioned by Food Banks Canada in 2012 and subsequently updated in 2017. Prior to this fiscal year, the Organization had used an internal cost basis for valuing food. This change in the food valuation process was unanimously approved by the Board of Directors on July 17, 2018 and is consistent with the food valuation practices of Food Banks Canada and is the generally accepted practice of most other food banks in Canada. The current year's value of donated food is \$20,885,764 (8,032,986 pounds), 2017 - \$17,983,705 (7,193,482 pounds).

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

(c) Fund accounting

Unrestricted operating fund

The Operating Fund records the operating activities of the Organization.

Restricted funds

(i) Food Fund

All donations designated by donors for the acquisition of food are allocated to the Food Fund. Additional monies may be transferred to this fund from time to time by the Board of Directors.

(ii) Building Reserve Fund

In 2016, a new building assessment was undertaken to assess the condition of the property and estimate the expenditures required to maintain the building over the next 30 years. The study suggested annual contributions of at least \$200,000 to the Building Reserve Fund over the next 30 years. To facilitate the annual contributions, the Board will contribute to the Building Reserve Fund through allocations from the Operating Fund, capital campaigns or a combination thereof to ensure that needs forecasted in the new study are met.

(d) Inventory

Food which has been purchased from suppliers, but not yet distributed to member agencies, is recorded on the statement of financial position at the lower of cost and net realizable value. The cost of inventory is determined on a first-in, first-out basis. As donated food has no net realizable value, it is not included in the inventory balance.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

(e) Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use or its fair market value in the case of donated assets.

The assets are amortized over their estimated useful lives at the following annual rates:

Building structure	- 40 years, straight line basis
Building, non-structure	- 25 years, straight line basis
Kitchen equipment	- 6 years, straight line basis
Warehouse equipment	- 5-10 years, straight line basis
Automotive equipment	- 6 years, straight line basis
Computer and office equipment	- 5-10 years, straight line basis

Amortization commences in the month of acquisition of the asset.

(f) Financial instruments

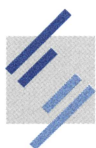
Financial assets and financial liabilities are initially measured at fair value adjusted by the amount of transaction costs directly attributable to the instrument. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The fair value of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

At the end of each reporting period, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired.

(g) Cash

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



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

(h) Allocation of administrative expenses to cost centres

The Organization reports its operating costs by function. Many cost centres work for a single function and are appropriately allocated. Certain costs pertain to more than one function and these are allocated as follows:

- (i) When a staff member spends part of their time on different functions the policy is to apportion the relevant salary and associated costs in proportion to the amount of time spent on each function.
- (ii) The expenses within the kitchen operation have been charged 50% to food preparation and 50% to kitchen, which reflects the two-fold operation of the kitchen and the approximate cost of performing each of the functions.
- (iii) Common and support expenses such as facilities maintenance, computer services, staff and volunteer management have also been allocated as follows:

<u>Expense</u>	<u>Basis of allocation</u>
Facilities maintenance	Square footage of space used
Computer systems	Network administration, by time spent, hardware and software, by cost
Human resources management	Headcount
Volunteer management	Volunteer labour hours
Central services	Usage of reception and office equipment

(i) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results may differ from such estimates. Balances for which estimates were used are capital assets (amortization), accounts payable and accrued liabilities and the value of donated food and the distribution of donated food. All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

3. Short-term investments:

Short-term investments primarily consist of guaranteed investment certificates and bonds. The short-term investments are yielding interest from 1.25% to 2.75% and maturing within one year.



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

4. Capital assets:

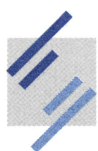
	Cost	Accumulated Amortization	Net 2018	Net 2017
Land	\$ 871,388	\$ -	\$ 871,388	\$ 871,388
Building	6,110,101	1,807,162	4,302,939	3,504,849
Warehouse equipment	953,406	830,737	122,669	149,477
Automotive	631,314	610,279	21,035	47,840
Kitchen equipment	164,805	42,547	122,258	2,402
Computer and office equipment	734,594	616,860	117,734	115,526
	\$ 9,465,608	\$ 3,907,585	\$ 5,558,023	\$ 4,691,482

Of the total Unrestricted Operating Fund balance of \$8,036,407 (2017 - \$6,809,848), the amount invested in capital assets is \$4,664,295 (2017 - \$4,264,296):

	2018	2017
Total investment in capital assets	\$ 5,558,023	\$ 4,691,482
Less: amount funded by deferred contributions	(893,728)	(427,186)
Unrestricted Operating Fund invested in capital assets	\$ 4,664,295	\$ 4,264,296

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

	2018	2017
Food distribution operations	\$ 123,939	\$ 133,537
Food preparation and purchases	71,036	60,805
Member agency support	11,265	11,566
Kitchen	7,912	14,930
Research and public policy	6,530	6,435
Fundraising	10,528	10,920
Administration	5,883	6,073
	\$ 237,093	\$ 244,266



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable and employee termination benefits of \$2,968 (2017 - \$2,680) and \$1,221 (2017 - \$Nil) respectively.

6. Deferred contributions:

All of the deferred contributions to the Organization have been externally designated for a specific use. These amounts are recognized as revenue as the related program expenses are incurred. Deferred contributions related to capital assets are shown as long-term on the statement of financial position. The long-term deferred contributions are recognized as income as the related assets are amortized. Changes in deferred contributions are as follows:

	Current	Capital	2018	2017
Beginning balance	\$ 328,244	\$ 427,186	\$ 755,430	\$ 798,030
Transfer	202,977	(202,977)	-	-
Add: grants received	257,501	705,715	963,216	331,022
	788,722	929,924	1,718,646	1,129,052
Less: contributions recognized as revenue	(413,897)	(36,196)	(450,093)	(373,622)
Ending balance	\$ 374,825	\$ 893,728	\$ 1,268,553	\$ 755,430

Certain contributions received in a prior year were reclassified during the year from long-term to current to match related expenditures.

7. Allocation of administrative expenses to cost centres:

Administrative expenses totalling \$1,362,159 (2017- \$1,392,640) have been allocated as follows:

	2018	2017
Food distribution operation	\$ 487,338	\$ 477,186
Food preparation and purchases	430,984	440,905
Member agency support	190,521	202,092
Kitchen	48,596	50,051
Research and public policy	38,507	42,553
Fundraising	113,985	121,317
Administration	52,228	58,536
	\$ 1,362,159	\$ 1,392,640



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

8. Changes in non-cash working capital:

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

	2018	2017
(Increase) decrease in current assets:		
Accounts receivable	\$ (141,300)	\$ (5,887)
Inventory	(30,163)	44,540
Prepaid expenses	(67,481)	(1,318)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	147,355	(102,879)
Deferred contributions	46,581	(37,470)
	<u>\$ (45,008)</u>	<u>\$ (103,014)</u>

9. Line of credit:

The Organization has a \$5,000,000 credit facility agreement with a Canadian chartered bank for the purpose of financing repairs and maintenance, and leasehold improvements to 191 New Toronto St. The line of credit is secured by a collateral mortgage on the real property located at 191 New Toronto St., bears an interest rate of prime and is payable on demand. The balance outstanding as at June 30, 2018 is \$Nil (2017 - \$Nil).

10. Commitments:

The Organization has obligations under operating leases for a truck and office equipment as follows:

2019	\$	46,384
2020		45,638
2021		44,595
2022		42,341
2023		17,555
Thereafter		14,629
	<u>\$</u>	<u>211,142</u>



DAILY BREAD FOOD BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

11. 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 and is of the opinion that the Organization is not exposed to any significant risks from its financial instruments. There has been no change in the assessment of these risks from the prior year.

12. Building Reserve Fund:

The expenditures paid from the Building Reserve Fund amounted to \$897,008 (2017 - \$29,871) with the majority paid for the new roof at 191 New Toronto Street.

