

Food Banks Canada
Financial Statements
For the year ended March 31, 2017

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Independent Auditor's Report

To the Members of Food Banks Canada

We have audited the accompanying financial statements of Food Banks Canada, which comprise the statement of financial position as at March 31, 2017 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 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

Food Banks Canada derives revenues from donated food products, of which the accuracy of the weight is not susceptible to satisfactory audit verification. Accordingly, verification of the accuracy of the donated food products and donated food products distributed to network was limited to what was recorded in the records of the entity. Therefore, we were not able to determine whether any adjustments might be necessary to these amounts for the year ended March 31, 2017.



Independent Auditor's Report

(continued)

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 Food Banks Canada as at March 31, 2017 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario

May 17, 2017

Food Banks Canada
Statement of Financial Position

March 31 **2017** **2016**

Assets

Current

Cash	\$ 846,534	\$ 380,271
Unrestricted investments (Note 3)	1,416,949	684,523
Externally restricted investments (Note 3)	3,918,763	2,376,503
Accounts receivable (Note 1)	378,052	235,847
Prepaid expenses	51,502	62,837

6,611,800 **3,739,981**

Capital assets (Note 4)

91,480 **109,142**

\$ 6,703,280 **\$ 3,849,123**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 760,852	\$ 413,318
Deferred contributions	-	11,806

760,852 **425,124**

Deferred capital contributions (Note 6)

41,538 **68,369**

802,390 **493,493**

Net assets

General Fund		
Unrestricted	672,510	28,679
Invested in capital assets	49,942	40,773
Program reserve	300,000	150,000
Internally Restricted Funds (Note 7)	959,675	759,675
Externally Restricted Funds	3,918,763	2,376,503

5,900,890 **3,355,630**

\$ 6,703,280 **\$ 3,849,123**

On behalf of the Board:

_____ Chair

_____ Treasurer

The accompanying notes are an integral part of these financial statements.

Food Banks Canada
Statement of Operations and Changes in Net Assets

For the year ended March 31

2017 **2016**

	Unrestricted	Invested in Capital Assets	Program Reserve	Total General Fund	Internally Restricted Funds	Externally Restricted Funds	Total	Total
Revenue								
Corporate donations	\$ 1,607,409	\$ 26,831	\$ -	\$ 1,634,240	\$ -	\$ 1,054,991	\$ 2,689,231	\$ 2,693,114
Foundation grants	238,843	-	-	238,843	-	1,946,573	2,185,416	802,332
Individual donations	489,809	-	-	489,809	-	5,944	495,753	338,527
Provincial association fees	42,000	-	-	42,000	-	-	42,000	42,000
Other income	30,556	-	-	30,556	-	138,718	169,274	68,769
Designated donations for redistribution to network	-	-	-	-	-	5,887,105	5,887,105	4,610,333
Donated food products	-	-	-	-	-	24,702,308	24,702,308	30,713,743
	2,408,617	26,831	-	2,435,448	-	33,735,639	36,171,087	39,268,818
Expenses								
Programs								
Capacity building	-	-	-	-	-	120,342	120,342	301,856
Food acquisition and sharing	-	-	-	-	-	1,219,602	1,219,602	824,073
Network services and support	-	-	-	-	-	407,659	407,659	387,991
Research and advocacy	-	-	-	-	-	344,917	344,917	322,434
Designated funds redistributed to network (Note 8)	-	-	-	-	-	5,398,551	5,398,551	3,354,299
Donated food products distributed to network	-	-	-	-	-	24,702,308	24,702,308	30,713,743
Total programs	-	-	-	-	-	32,193,379	32,193,379	35,904,396
Support services								
Administration	594,389	44,190	-	638,579	-	-	638,579	504,069
Fund development	793,869	-	-	793,869	-	-	793,869	892,319
Total support services	1,388,258	44,190	-	1,432,448	-	-	1,432,448	1,396,388
	1,388,258	44,190	-	1,432,448	-	32,193,379	33,625,827	37,300,784
Excess (deficiency) of revenue over expenses	1,020,359	(17,359)	-	1,003,000	-	1,542,260	2,545,260	1,968,034
Balance, beginning of year	28,679	40,773	150,000	219,452	759,675	2,376,503	3,355,630	1,387,596
Transfer of funds (Note 2)	(376,528)	26,528	150,000	(200,000)	200,000	-	-	-
Balance, end of year	\$ 672,510	\$ 49,942	\$ 300,000	\$ 1,022,452	\$ 959,675	\$ 3,918,763	\$ 5,900,890	\$ 3,355,630

The accompanying notes are an integral part of these financial statements.

Food Banks Canada Statement of Cash Flows

For the year ended March 31	2017	2016
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 2,545,260	\$ 1,968,034
Adjustments required to reconcile excess of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets	44,190	43,444
Amortization of deferred capital contributions	(26,831)	(28,481)
Changes in non-cash working capital balances		
Accounts receivable	(142,205)	(24,369)
Prepaid expenses	11,335	43,111
Accounts payable and accrued liabilities	347,534	51,830
Deferred contributions	(11,806)	(119,529)
	2,767,477	1,934,040
Investing activities		
Purchase of capital assets	(26,528)	(8,136)
Net purchases of investments	(2,274,686)	(1,907,023)
	(2,301,214)	(1,915,159)
Increase in cash during the year	466,263	18,881
Cash, beginning of year	380,271	361,390
Cash, end of year	\$ 846,534	\$ 380,271

The accompanying notes are an integral part of these financial statements.

Food Banks Canada

Notes to Financial Statements

March 31, 2017

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization

Food Banks Canada (the "Organization") is the national organization representing and supporting the food bank network across the country. Its mandate is to build a Canada where no one goes hungry, achieving this through national initiatives that share food and funds with food banks across the country, developing and supporting programs that enable the self-sufficiency of individuals and families and working to find long term solutions to hunger through research and government engagement. The Organization was federally incorporated on December 20, 1988 as Canadian Association of Food Banks (CAFB) as a company without share capital under the Canada Corporations Act. In 2008, it rebranded as Food Banks Canada. In 2014, the Organization transitioned to the Canada Not-for-Profit Corporations Act.

The Organization is designated as a charitable organization with the Canada Revenue Agency, is exempt from income taxes and is able to issue donation receipts.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Donated Services and Food Products

A number of volunteers provide significant amounts of time to the activities of the Organization. Because of the difficulty in assigning values for such services, the value of donated time is not reflected in the financial statements.

The Organization receives and shares a significant volume of food and consumer products with its food bank network through the National Food Sharing System.

The volume of food and consumer products acquired and distributed through the Corporate Donation Program of the National Food Sharing System was 9,880,923 pounds (2016 - 12,285,497 pounds) with a value of \$2.50 per pound based on an estimate provided by a third party. These donated food products are reflected in the statement of operations and changes in net assets as donated food products offsetting donated food products distributed to network. The Organization recognizes the donated food products in the period in which they are received and distributed to its food bank network.

The expense related to the National Food Sharing System is included in food acquisition and sharing expense in the statement of operations and changes in net assets. In addition to incurring expenses to run the National Food Sharing System, the Organization receives significant donated services for the warehousing and transporting of the products. The value of the donated warehousing and transporting services is not reflected in these financial statements.

Food Banks Canada

Notes to Financial Statements

March 31, 2017

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost. Donated capital assets are recorded at fair market value at the date of contribution. Amortization is calculated based on the carrying value and is provided over the estimated useful lives of the capital assets at the following annual rates:

Computer hardware and software	- 30% declining balance basis
Furniture and equipment	- 30% declining balance basis
Leasehold improvements	- over the term of the lease

Revenue Recognition

Restricted donations or grants are recognized as revenue of the appropriate restricted funds using the restricted fund method of accounting. All other restricted donations or grants for which no restricted funds have been established are deferred and recognized as revenue of the General Fund in the years in which the related expenses are incurred. Unrestricted donations or grants are recognized as revenue of the General Fund.

Use of Estimates

The preparation of financial statements in accordance 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 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), accrued liabilities, allowance for doubtful accounts and the value of donated food products.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provision of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments. The Organization has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in the statement of operations and changes in net assets.

Financial assets measured at amortized cost are cash and accounts receivable, while financial liabilities measured at amortized cost are accounts payable and accrued liabilities.

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists, the asset is written down and the resulting impairment loss is recognized in the statement of operations and changes in net assets. Transaction costs are expenses for those items measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Food Banks Canada

Notes to Financial Statements

March 31, 2017

1. Summary of Significant Accounting Policies (continued)

Pledges Receivable

Pledges are recognized as receivable when the amount can be reasonably estimated and ultimate collection is reasonably assured. \$261,025 (2016 - \$127,958) pledges receivable are included in accounts receivable in the statement of financial position.

Deferred Capital Contributions

Amounts received for the purchase of capital assets are recorded as deferred capital contributions and are amortized over the useful life of the related capital assets.

2. Description of Funds

General Fund

a) Unrestricted Fund

The Unrestricted Fund records the operating activities of the Organization.

b) Invested in Capital Assets

The Invested in Capital Assets records the Organization's capital assets, less any related capital grants.

c) Program Reserve

The Program Reserve provides short term funds to allow for program area development or growth. During the year, there was a transfer of \$150,000 (2016 - \$150,000 transfer to) from the Unrestricted Fund.

Internally Restricted Funds

a) Operating Reserve Fund

The Operating Reserve Fund provides funds to allow the Organization to continue to operate during extreme financially difficult conditions; and/or ensures adequate funds are available in the event the Organization is dissolved. During the year, there was a transfer of \$200,000 (2016 - \$Nil) from the Unrestricted Fund.

b) Disaster Relief Fund

The Disaster Relief Fund was established by the Board of Directors from a donation for disaster spending. The original donation was for the ice storm of 2000, with unspent funds being designated for future disasters.

Food Banks Canada
Notes to Financial Statements

March 31, 2017

2. Description of Funds (continued)

Externally Restricted Funds

Donor Restricted Fund

The Donor Restricted Fund records designated funds received from donors for specific projects/expenses.

3. Investments

Funds are invested as per the Food Banks Canada investment policy. Investments totaling \$5,335,712 (2016 - \$3,061,026) consist of funds invested in a RBC Investment Savings Account and various term deposits that earn interest at 0.75% (2016 - 0.75%). Of this investment, \$3,918,763 (2016 - \$2,376,503) is externally restricted by donors for specific initiatives to be expended by the end of the 2018 fiscal year.

4. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 115,651	\$ 86,817	\$ 105,824	\$ 76,472
Computers and software	102,377	73,909	85,676	63,857
Leasehold improvements	118,965	84,787	118,965	60,994
	\$ 336,993	\$ 245,513	\$ 310,465	\$ 201,323
Net book value		\$ 91,480		\$ 109,142

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$29,100 (2016 - \$24,583).

Food Banks Canada
Notes to Financial Statements

March 31, 2017

6. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of the grant received for leasehold improvements and furniture additions.

	2017	2016
Balance, beginning of year	\$ 68,369	\$ 96,850
Less: Amounts recognized as revenue during the year	26,831	28,481
Balance, end of year	\$ 41,538	\$ 68,369

7. Internally Restricted Funds

	2017	2016
Operating Reserve Fund	\$ 900,000	\$ 700,000
Disaster Relief Fund	59,675	59,675
	\$ 959,675	\$ 759,675

8. Designated Funds for Redistribution to Network

Funds received from the undernoted sources, together with proceeds from specific programs, have been distributed to network partners (Provincial Associations, Food Banks and Non-affiliate Food Banks) across Canada.

	2017	2016
Corporate Philanthropy and Cause Campaigns	\$ 3,600,478	\$ 2,767,157
Food Banks Canada National Grant Programs	1,674,447	498,963
National Campaigns and Initiatives	123,626	88,179
	\$ 5,398,551	\$ 3,354,299

9. Commitments

The Organization entered into a new lease agreement commencing September 1, 2013. The lease term is 60 months, with an option to renew for two additional periods of five years each. Lease payments under the terms of the lease are as follows:

2018	\$ 105,600
2019	44,000
	\$ 149,600

Food Banks Canada Notes to Financial Statements

March 31, 2017

10. Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee.

- (a) The Organization has provided indemnities under a lease agreement for the use of its premises. Under the terms of this agreement, the Organization agrees to indemnify the counterparty for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after the term of the agreement.
- (b) The Organization indemnifies all directors, officers, employees and volunteers acting on behalf of the Organization for various items including but not limited to all costs to settle suits or actions due to services provided to the Organization, subject to certain restrictions.

The nature of these indemnification agreements prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued with respect to these agreements. The Organization has purchased liability insurance to mitigate the cost of any potential future suits or action.

11. Financial Instrument Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income savings investments.

Credit Rate Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization's credit risk is primarily attributable to its accounts and pledges receivable. The Organization manages this risk through proactive collection polices.

These risks have not changed from the prior year.

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the method of presentation adopted for the current year.