

Food Banks Canada
Financial Statements
For the year ended March 31, 2020

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Independent Auditor's Report

To the Directors of Food Banks Canada

Opinion

We have audited the financial statements of Food Banks Canada (the "Organization"), which comprise the statement of financial position as at March 31, 2020 and the statements of operations and changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
June 29, 2020

Food Banks Canada Statement of Financial Position

March 31	2020	2019
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Assets

Current

Cash	\$ 6,789,818	\$ 444,177
Investments (Note 3)	6,286,227	7,530,377
Accounts receivable (Note 4)	12,323,073	5,411,796
Prepaid expenses	1,264,743	310,625
	26,663,861	13,696,975

Capital assets (Note 5)

375,565	448,480
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\$ 27,039,426	\$ 14,145,455	
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6)	\$ 15,051,852	\$ 1,358,172
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Deferred capital contributions (Note 7)

67,630	91,094	
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Deferred rent

34,430	32,645	
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15,153,912	1,481,911	
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Net assets

General Fund		
Unrestricted	2,948,884	2,247,257
Invested in capital assets	307,935	357,386
Program reserve	300,000	300,000
Internally Restricted Funds (Note 8)	2,059,675	1,559,675
Externally Restricted Funds (Note 9a)	6,269,020	8,199,226
	11,885,514	12,663,544

\$ 27,039,426	\$ 14,145,455	
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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

							2020	2019
	Unrestricted	Invested in Capital Assets	Program Reserve	Total General Fund	Internally Restricted Funds	Externally Restricted Funds	Total	Total
Revenue								
Corporate donations	\$ 2,790,415	\$ 23,464	\$ -	\$ 2,813,879	\$ -	\$ 2,166,797	\$ 4,980,676	\$ 5,614,872
Foundation grants	454,168	-	-	454,168	-	2,066,386	2,520,554	902,307
Government grants	28,920	-	-	28,920	-	500,000	528,920	7,350
Individual donations	649,233	-	-	649,233	-	15,995	665,228	443,055
Provincial association fees	30,802	-	-	30,802	-	-	30,802	42,000
Other income	164,172	-	-	164,172	-	79,386	243,558	172,627
Designated donations for redistribution to the Network	-	-	-	-	-	19,079,444	19,079,444	11,622,395
Donated food products	-	-	-	-	-	25,574,428	25,574,428	25,619,963
	4,117,710	23,464	-	4,141,174	-	49,482,436	53,623,610	44,424,569
Expenses								
Programs								
Capacity building	-	-	-	-	-	-	-	264,670
Food acquisition and sharing	-	-	-	-	-	2,809,098	2,809,098	2,194,385
Network services and support	-	-	-	-	-	1,390,622	1,390,622	926,764
Research and advocacy	533,664	-	-	533,664	-	51,886	585,550	369,884
Designated funds redistributed to the Network (Note 9b)	-	-	-	-	-	21,486,608	21,486,608	9,740,104
Donated food products distributed to the Network	-	-	-	-	-	25,574,428	25,574,428	25,619,963
Total programs	533,664	-	-	533,664	-	51,312,642	51,846,306	39,115,770
Support services								
Administration	1,053,039	109,684	-	1,162,723	-	-	1,162,723	905,488
Fund development	1,392,611	-	-	1,392,611	-	-	1,392,611	1,245,463
Total support services	2,445,650	109,684	-	2,555,334	-	-	2,555,334	2,150,951
	2,979,314	109,684	-	3,088,998	-	51,312,642	54,401,640	41,266,721
Excess (deficiency) of revenue over expenses	1,138,396	(86,220)	-	1,052,176	-	(1,830,206)	(778,030)	3,157,848
Balance, beginning of year	2,247,257	357,386	300,000	2,904,643	1,559,675	8,199,226	12,663,544	9,505,696
Transfer of funds (Note 2)	(436,769)	36,769	-	(400,000)	500,000	(100,000)	-	-
Balance, end of year	\$ 2,948,884	\$ 307,935	\$ 300,000	\$ 3,556,819	\$ 2,059,675	\$ 6,269,020	\$ 11,885,514	\$ 12,663,544

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

Food Banks Canada Statement of Cash Flows

For the year ended March 31	2020	2019
Cash was provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (778,030)	\$ 3,157,848
Adjustments required to reconcile excess (deficiency) of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets	109,684	78,622
Amortization of deferred capital contributions	(23,464)	(23,333)
Changes in non-cash working capital balances		
Accounts receivable	(6,911,277)	(5,165,613)
Prepaid expenses	(954,118)	(73,461)
Accounts payable and accrued liabilities	13,693,680	735,481
	<u>5,136,475</u>	<u>(1,290,456)</u>
Investing activities		
Purchase of capital assets	(36,769)	(458,237)
Net sale of investments	1,244,150	1,787,733
	<u>1,207,381</u>	<u>1,329,496</u>
Financing activities		
Deferred capital contributions	-	99,375
Deferred rent	1,785	32,645
	<u>1,785</u>	<u>132,020</u>
Increase in cash during the year	6,345,641	171,060
Cash, beginning of year	<u>444,177</u>	<u>273,117</u>
Cash, end of year	<u>\$ 6,789,818</u>	<u>\$ 444,177</u>

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

Food Banks Canada

Notes to Financial Statements

March 31, 2020

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 Canada. 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 an entity 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. Due to 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 the 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 9,761,232 pounds (2019 - 9,853,832 pounds) with a value of \$2.62 per pound (2019 - \$2.60 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 the Network. The Organization recognizes the donated food products in the period in which they are received and distributed to the 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, 2020

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:

Furniture and equipment	- 30% declining balance basis
Computers and software	- 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. Pledges are recognized as receivable when the amount can be reasonably estimated and ultimate collection is reasonably assured.

Deferred Rent

The Organization has an operating lease that contains predetermined fixed escalations of minimum rentals during the lease term. The Organization recognizes the related rental expense on a straight-line basis over the life of the lease and records the difference between the amounts charged to operations and amounts paid as deferred rent. This amount is recorded as a deferred credit in the early years of the lease, when cash payments are generally lower than the straight-line rent expense, and reduced in the later years of the lease when payments begin to exceed the straight-line expense.

The Organization also received funding for leasehold improvements in conjunction with the operating lease. This funding is recorded as deferred capital contributions at the beginning of the lease term and recognized as revenue over the lease term at the same rate as amortization expense is recognized on the leasehold improvements.

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 amount of revenue 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.

Food Banks Canada Notes to Financial Statements

March 31, 2020

1. Summary of Significant Accounting Policies (continued)

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 expensed 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.

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.

Food Banks Canada Notes to Financial Statements

March 31, 2020

2. Description of Funds (continued)

c) Program Reserve

The Program Reserve provides short term funds to allow for program area development or growth.

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 \$500,000 (2019 - \$400,000) to the 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.

Externally Restricted Funds

Donor Restricted Fund

The Donor Restricted Fund records designated funds received from donors for specific projects and funds for distribution to the Network.

3. Investments

Funds are invested as per the Food Banks Canada investment policy. Investments totaling \$6,286,227 (2019 - \$7,530,377) consist of funds invested in a RBC Investment Savings Account, TD money market account and various term deposits that earn interest at 1.62% (2019 - 2.00%) and mature in April 2020 (2019 - April 2019).

Food Banks Canada Notes to Financial Statements

March 31, 2020

4. Accounts Receivable

	2020	2019
Accounts receivable	\$ 134,757	\$ 132,739
Pledges receivable		
Corporate and other	6,953,203	4,972,409
Government	5,025,000	-
Government rebates receivable	210,113	306,648
	\$ 12,323,073	\$ 5,411,796

5. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 175,596	\$ 107,452	\$ 196,124	\$ 117,846
Computers and software	70,422	38,776	74,824	42,597
Leasehold improvements	367,700	91,925	486,665	148,690
	\$ 613,718	\$ 238,153	\$ 757,613	\$ 309,133
Net book value		\$ 375,565		\$ 448,480

6. Accounts Payable and Accrued Liabilities

	2020	2019
Accounts payable and accrued liabilities	\$ 922,389	\$ 1,338,430
Grants payable to food banks	14,107,500	-
Government remittances payable	21,963	19,742
	\$ 15,051,852	\$ 1,358,172

Food Banks Canada Notes to Financial Statements

March 31, 2020

7. Deferred Capital Contributions

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

	2020	2019
Balance, beginning of year	\$ 91,094	\$ 15,052
Landlord contribution for leasehold improvements	-	99,375
Less: Amounts recognized as revenue during the year	<u>23,464</u>	<u>23,333</u>
Balance, end of year	<u>\$ 67,630</u>	<u>\$ 91,094</u>

8. Internally Restricted Funds

	2020	2019
Operating Reserve Fund	\$ 2,000,000	\$ 1,500,000
Disaster Relief Fund	<u>59,675</u>	<u>59,675</u>
	<u>\$ 2,059,675</u>	<u>\$ 1,559,675</u>

9. Externally Restricted Funds

a) *Externally Restricted Funds*

Externally restricted funds for the reporting period are \$6,269,020 (2019 - \$8,199,226). These funds are held for specific initiatives to support the Network to be expended by the end of the 2021 fiscal year.

b) *Designated Funds for Redistribution to the Network*

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

	2020	2019
Corporate Philanthropy and Cause Campaigns	\$ 8,190,870	\$ 6,040,742
Food Banks Canada National Grant Programs	11,317,511	3,545,665
National Campaigns and Initiatives	<u>1,978,227</u>	<u>153,697</u>
	<u>\$ 21,486,608</u>	<u>\$ 9,740,104</u>

Food Banks Canada Notes to Financial Statements

March 31, 2020

10. Allocation of Payroll Expenses

Wages and benefits expenses are allocated to programs or support services based upon standard hours (2019 - based on timesheets).

The summary of allocations is as follows:

	2020	2019
Capacity building	\$ -	\$ 114,016
Food acquisition and sharing	1,079,637	851,422
Network services and support	686,732	507,619
Research and advocacy	400,013	256,397
Administration	449,774	207,982
Fund development	816,236	559,078
	\$ 3,432,392	\$ 2,496,514

11. Commitments

The Organization entered into a new lease agreement commencing October 1, 2018. The lease term is 72 months. Minimum annual lease payments, including additional rent for estimated maintenance and operating costs, for the next five years are as follows:

2021	\$ 201,268
2022	204,580
2023	207,892
2024	211,205
2025	105,602
	<hr/>
	\$ 930,547

Food Banks Canada

Notes to Financial Statements

March 31, 2020

12. 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.

13. 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 policies.

These risks have not changed from the prior year.

Food Banks Canada

Notes to Financial Statements

March 31, 2020

14. Subsequent Events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, the "COVID-19" outbreak. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Subsequent to year-end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Organization. Management is actively monitoring the effects on its financial condition, liquidity, operations, suppliers, sector and workforce.

The Organization relies on revenue from grants and donations. Subsequent to the year-end, the Organization received significant funds from multiple sources as a result of the global pandemic. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations at this time.

15. Comparative Figures

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