

Food Banks Canada
Financial Statements
For the year ended March 31, 2021

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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, 2021 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, 2021, 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.



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

Oakville, Ontario

May 26, 2021

Food Banks Canada Statement of Financial Position

March 31	2021	2020
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Assets

Current

Cash	\$ 32,360,831	\$ 6,789,818
Investments (Note 3)	3,598,603	6,286,227
Accounts receivable (Note 4)	11,995,898	12,323,073
Prepaid expenses	2,933,045	1,264,743

	50,888,377	26,663,861
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Capital assets (Note 5)

	106,266	375,565
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	\$ 50,994,643	\$ 27,039,426
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 6)	\$ 26,562,393	\$ 15,051,852
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Deferred capital contributions (Note 7)

	13,013	67,630
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Deferred rent

	32,517	34,430
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	26,607,923	15,153,912
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Net assets

General Fund		
Unrestricted	12,236,010	2,948,884
Invested in capital assets	93,253	307,935
Program reserve	300,000	300,000
Internally Restricted Funds (Note 8)	2,500,000	2,059,675
Externally Restricted Funds (Note 9a)	9,257,457	6,269,020

	24,386,720	11,885,514
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	\$ 50,994,643	\$ 27,039,426
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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

2021 2020

	Unrestricted	Invested in Capital Assets	Program Reserve	Total General Fund	Internally Restricted Funds	Externally Restricted Funds	Total	Total
Revenue								
Corporate donations	\$ 5,277,943	\$ 54,617	\$ -	\$ 5,332,560	\$ -	\$ 29,763,194	\$ 35,095,754	\$ 14,401,105
Foundation grants	1,289,918	-	-	1,289,918	-	30,412,647	31,702,565	6,116,369
Government grants	738,212	-	-	738,212	-	77,399,065	78,137,277	5,028,923
Individual donations	6,778,310	-	-	6,778,310	-	8,827,489	15,605,799	2,228,425
Interest	229,001	-	-	229,001	-	-	229,001	-
Provincial association fees	-	-	-	-	-	-	-	30,802
Other income	40,334	-	-	40,334	-	9,700	50,034	243,558
Donated food products	-	-	-	-	-	29,970,793	29,970,793	25,574,428
	14,353,718	54,617	-	14,408,335	-	176,382,888	190,791,223	53,623,610
Expenses								
Programs								
Food acquisition and sharing	390,615	-	-	390,615	-	42,237,019	42,627,634	2,809,098
Network services and support	649,031	-	-	649,031	-	1,786,215	2,435,246	1,390,622
Research and advocacy	388,316	-	-	388,316	-	551,735	940,051	585,550
Designated funds redistributed to the Network (Note 9b)	20,000	-	-	20,000	59,675	98,631,461	98,711,136	21,486,608
Donated food products distributed to the Network	-	-	-	-	-	29,970,793	29,970,793	25,574,428
Total programs	1,447,962	-	-	1,447,962	59,675	173,177,223	174,684,860	51,846,306
Support services								
Administration	1,065,122	312,802	-	1,377,924	-	-	1,377,924	1,162,723
Fund development	2,010,005	-	-	2,010,005	-	217,228	2,227,233	1,392,611
Total support services	3,075,127	312,802	-	3,387,929	-	217,228	3,605,157	2,555,334
	4,523,089	312,802	-	4,835,891	59,675	173,394,451	178,290,017	54,401,640
Excess (deficiency) of revenue over expenses	9,830,629	(258,185)	-	9,572,444	(59,675)	2,988,437	12,501,206	(778,030)
Balance, beginning of year	2,948,884	307,935	300,000	3,556,819	2,059,675	6,269,020	11,885,514	12,663,544
Transfer of funds (Note 2)	(543,503)	43,503	-	(500,000)	500,000	-	-	-
Balance, end of year	\$ 12,236,010	\$ 93,253	\$ 300,000	\$ 12,629,263	\$ 2,500,000	\$ 9,257,457	\$ 24,386,720	\$ 11,885,514

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

Food Banks Canada Statement of Cash Flows

For the year ended March 31	2021	2020
Cash was provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 12,501,206	\$ (778,030)
Adjustments required to reconcile excess (deficiency) of revenue over expenses with net cash provided by operating activities		
Amortization of capital assets	312,802	109,684
Amortization of deferred capital contributions	(54,617)	(23,464)
Changes in non-cash working capital balances		
Accounts receivable	327,175	(6,911,277)
Prepaid expenses	(1,668,302)	(954,118)
Accounts payable and accrued liabilities	11,510,541	13,693,680
	<u>22,928,805</u>	<u>5,136,475</u>
Investing activities		
Purchase of capital assets	(43,503)	(36,769)
Net sale of investments	2,687,624	1,244,150
	<u>2,644,121</u>	<u>1,207,381</u>
Financing activity		
Deferred rent	(1,913)	1,785
Increase in cash during the year	25,571,013	6,345,641
Cash, beginning of year	<u>6,789,818</u>	<u>444,177</u>
Cash, end of year	<u>\$ 32,360,831</u>	<u>\$ 6,789,818</u>

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

Food Banks Canada Notes to Financial Statements

March 31, 2021

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 11,439,234 pounds (2020 - 9,761,232 pounds) with a value of \$2.62 per pound (2020 - \$2.62 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, 2021

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 utilized by the Organization

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, 2021

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, 2021

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 (2020 - \$500,000) 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 \$3,598,603 (2020 - \$6,286,227) consist of funds invested in a RBC Investment Savings Account and TD money market account, and in the prior year, various term deposits that earned interest at 1.62% and matured in April 2020.

Food Banks Canada Notes to Financial Statements

March 31, 2021

4. Accounts Receivable

	2021	2020
Accounts receivable	\$ 102,909	\$ 134,757
Pledges receivable		
Corporate and other	7,081,298	6,953,203
Government	4,250,000	5,025,000
Government rebates receivable	561,691	210,113
	\$ 11,995,898	\$ 12,323,073

5. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 176,961	\$ 164,260	\$ 175,596	\$ 107,452
Computers and software	112,560	58,392	70,422	38,776
Leasehold improvements	367,700	328,303	367,700	91,925
	\$ 657,221	\$ 550,955	\$ 613,718	\$ 238,153
Net book value		\$ 106,266		\$ 375,565

6. Accounts Payable and Accrued Liabilities

	2021	2020
Accounts payable and accrued liabilities	\$ 8,634,666	\$ 922,389
Grants payable to food banks	17,927,727	14,107,500
Government remittances payable	-	21,963
	\$ 26,562,393	\$ 15,051,852

Food Banks Canada Notes to Financial Statements

March 31, 2021

7. Deferred Capital Contributions

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 67,630	\$ 91,094
Less: Amounts recognized as revenue during the year	<u>54,617</u>	<u>23,464</u>
Balance, end of year	<u>\$ 13,013</u>	<u>\$ 67,630</u>

8. Internally Restricted Funds

	<u>2021</u>	<u>2020</u>
Operating Reserve Fund	\$ 2,500,000	\$ 2,000,000
Disaster Relief Fund	<u>-</u>	<u>59,675</u>
	<u>\$ 2,500,000</u>	<u>\$ 2,059,675</u>

9. Externally Restricted Funds

a) Externally Restricted Funds

Externally restricted funds for the reporting period are \$9,270,470 (2020 - \$6,269,020). These funds are held for specific initiatives to support the Network to be expended by the end of the 2022 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.

	<u>2021</u>	<u>2020</u>
COVID-19 Response Support	\$ 90,297,472	\$ 7,733,366
Corporate Philanthropy and Cause Campaigns	7,411,022	11,317,511
National Campaigns and Initiatives	<u>1,002,642</u>	<u>2,435,731</u>
	<u>\$ 98,711,136</u>	<u>\$ 21,486,608</u>

Food Banks Canada Notes to Financial Statements

March 31, 2021

10. Allocation of Payroll Expenses

Wages and benefits expenses are allocated to programs or support services based upon standard hours.

The summary of allocations is as follows:

	<u>2021</u>	<u>2020</u>
Food acquisition and sharing	\$ 880,804	\$ 1,079,637
Network services and support	975,725	686,732
Research and advocacy	518,544	400,013
Administration	565,197	449,774
Fund development	887,682	816,236
	<u>\$ 3,827,952</u>	<u>\$ 3,432,392</u>

11. Commitments

The Organization entered into a 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 four years are as follows:

2022	\$ 204,580
2023	207,892
2024	211,205
2025	105,602
	<u>\$ 729,279</u>

The Organization entered into a sublease agreement to lease the above location as of August 1, 2021 for a term of 38 months. Minimum annual rental revenue, including additional rent for estimated maintenance and operating costs, are as follows:

2022	\$ 122,643
2023	183,964
2024	183,964
2025	93,583
	<u>\$ 584,154</u>

Food Banks Canada Notes to Financial Statements

March 31, 2021

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, 2021

14. COVID-19

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.

Due to the pandemic, there has been an increase in need for the services provided by the Organization. As the impacts of COVID-19 continue, there could be further impacts on the Organization. Management is actively monitoring the effects on its financial conditions, liquidity, operations, suppliers, sector and workforce.

The Organization relies on revenue from donations and grants. During the year, 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.