
Financial statements of Food Banks Canada

March 31, 2023

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Independent Auditor's Report

To the Board of 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, 2023, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 GAAS 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.

As part of an audit in accordance with Canadian GAAS, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 30, 2023

Food Banks Canada
Statement of financial position
As at March 31, 2023

	Notes	2023 \$	2022 \$ (Note 15)
Assets			
Current assets			
Cash		14,988,864	27,736,240
Investments	3	13,011,335	8,010,725
Accounts receivable	4	7,667,001	7,436,430
Prepays and inventory		908,614	606,589
		36,575,814	43,789,984
Capital assets	5	61,710	58,709
		36,637,524	43,848,693
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	7,422,266	6,744,386
Deferred capital contribution	7	18,362	27,161
		7,440,628	6,771,547
Sublease deposit		16,932	16,932
		7,457,560	6,788,479
Commitments	12		
Net assets			
General Fund	8	21,590,535	21,227,448
Internally restricted funds	9	3,750,000	3,750,000
Externally restricted funds	10(a)	3,839,429	12,082,766
		29,179,964	37,060,214
		36,637,524	43,848,693

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

Food Banks Canada
Statement of operations and changes in net assets
Year ended March 31, 2023

		Invested in		Total	Internally	Externally	2023	2022
	General	Capital	Program	General	Restricted	Restricted	Total	Total
Notes	Funds	Assets	Reserve	Fund	Funds	Funds	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
	7,166,986	8,799	—	7,175,785	—	12,706,444	19,882,229	19,178,264
	947,335	—	—	947,335	—	2,717,913	3,665,248	5,340,052
	—	—	—	—	—	—	—	35,842,694
	6,555,147	—	—	6,555,147	—	7,592	6,562,739	6,663,338
	739,632	—	—	739,632	—	—	739,632	162,054
	208,519	—	—	208,519	—	—	208,519	6,238
	—	—	—	—	—	24,828,197	24,828,197	25,000,793
	15,617,619	8,799	—	15,626,418	—	40,260,146	55,886,564	92,193,433
Expenses								
11	Programs							
	—	—	—	—	—	3,029,666	3,029,666	8,217,633
	1,269,196	—	—	1,269,196	—	1,774,361	3,043,557	1,735,430
	321,460	—	—	321,460	—	1,207,415	1,528,875	986,798
10 (b)	6,951,242	—	—	6,951,242	19,560	18,045,903	25,016,705	38,730,475
	—	—	—	—	—	24,828,197	24,828,197	25,000,793
	8,541,898	—	—	8,541,898	19,560	48,885,542	57,447,000	74,671,129
Support Services								
	1,010,209	25,141	—	1,035,350	—	—	1,035,350	1,036,333
	4,969,464	—	—	4,969,464	—	315,000	5,284,464	3,812,477
	5,979,673	25,141	—	6,004,814	—	315,000	6,319,814	4,848,810
	14,521,571	25,141	—	14,546,712	19,560	49,200,542	63,766,814	79,519,939
Excess (deficiency) of revenue over expenses								
	1,096,048	(16,342)	—	1,079,706	(19,560)	(8,940,396)	(7,880,250)	12,673,494
	20,868,739	58,709	300,000	21,227,448	3,750,000	12,082,766	37,060,214	24,386,720
	(735,962)	19,343	—	(716,619)	19,560	697,059	—	—
2	21,228,825	61,710	300,000	21,590,535	3,750,000	3,839,429	29,179,964	37,060,214

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

Food Banks Canada
Statement of cash flows
Year ended March 31, 2023

	2023	2022
	\$	\$
		(Note 15)
Operating activities		
(Deficiency) excess of revenue over expenses	(7,880,250)	12,673,494
Items not affecting cash		
Amortization of capital assets	25,141	73,010
Amortization of deferred capital contributions	(8,799)	(5,356)
Changes in non-cash working capital items		
Accounts receivable	(230,571)	4,559,468
Prepays and inventory	(302,025)	2,326,456
Accounts payable and accrued liabilities	677,880	(19,818,007)
	(7,718,624)	(190,935)
Investing activities		
Purchase of capital assets	(28,142)	(25,453)
Net purchases of investments	(5,000,610)	(4,412,122)
	(5,028,752)	(4,437,575)
Financing activity		
Deferred rent	—	3,919
Net cash outflow	(12,747,376)	(4,624,591)
Cash, beginning of year	27,736,240	32,360,831
Cash, end of year	14,988,864	27,736,240

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

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 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.

Change in accounting estimate

Effective April 1, 2022, the Organization determines the value of donated food products using the average price per pound by food category as disclosed below. Previously, such valuation was performed using a single average price per pound. This change in accounting estimate was done prospectively and hence the prior year's financial statements were not restated.

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 various programs.

(a) 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 6,982,230 pounds (7,788,409 pounds in 2022). The average price per pound for each food category ranges from \$1.04 to \$6.78 (\$3.21 per pound in 2022) 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 offset donated food products distributed to the Network. The Organization recognizes the donated food products in the year in which they are received and distributed to the Network.

(b) Retail Food Program

In addition to the product donated through the National Food Sharing System, the Organization also manages donations related to our Retail Food Program. The volume of products donated was 20,917,620 pounds (19,228,964 pounds in 2022). These donated products are not reflected in the Statement of Operations or Statement of Financial Position as the Organization acts as an intermediary for the Retail Food Program.

1. Summary of significant accounting policies (continued)

Donated services and food products (continued)

The expenses related to the National Food Sharing System and Retail Food Program are included in food acquisition and sharing expenses in the statement of operations and changes in net assets. In addition to incurring expenses to run these food donation programs, 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.

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.

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 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.

(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 nil (\$250,000 in 2022) to the fund from the Unrestricted fund.

(b) *Disaster response reserve fund*

The Disaster Response Reserve Fund was established by the Board of Directors in the year 2021. The Disaster Response Reserve Fund allows the Organization to respond in the event of a disaster incident impacting one or more food banks within the Food Banks Canada network.

During the year, the Board approved a transfer of \$19,560 (\$1,000,000 in 2022) to the fund from the Unrestricted Fund to replenish the fund to \$1,000,000.

2. Description of funds (continued)

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 Organization's investment policy. Investments totaling \$13,132,311 (\$8,010,725 in 2022) consist of funds invested in an Investment Savings Account, a money market account, and Guaranteed Investment Certificates ("GICs"). The GICs mature between April and August 2023 and bear interest rates between 4.95% and 5.14% (no GICs held in 2022).

4. Accounts receivable

	2023	2022
	\$	\$
Accounts receivable	50,432	1,688
Interest receivable	170,084	—
Pledges receivable, corporate	6,897,262	6,986,770
Corporate credit cards	25,698	—
Government rebates receivable	523,525	447,972
	<u>7,667,001</u>	<u>7,436,430</u>

5. Capital assets

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
	\$	\$	\$	\$
Computers and office equipment	112,761	51,051	61,710	58,709
	<u>112,761</u>	<u>51,051</u>	<u>61,710</u>	<u>58,709</u>

6. Accounts payable and accrued liabilities

	2023	2022
	\$	\$
Accounts payable and accrued liabilities	611,281	745,557
Grants payable to food banks	6,810,985	5,998,829
	<u>7,422,266</u>	<u>6,744,386</u>

There are no government remittances payable as at March 31, 2023 or 2022.

7. Deferred capital contributions

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

	2023	2022
	\$	\$
Balance, beginning of year	27,161	32,517
Less: amounts recognized as revenue during the year	8,799	5,356
Balance, end of year	18,362	27,161

8. General fund

	2023	2022
	\$	\$
Unrestricted General Fund	21,228,825	20,868,739
Invested in capital assets	61,710	58,709
Program Reserve Fund	300,000	300,000
Balance, end of year	21,590,535	21,227,448

The unrestricted general funds are expected to be used to fund direct investments into the food bank network in areas including improving access to underserved communities; system, infrastructure and capacity enhancements; and to advance the Organization's strategic plan initiatives to advance its mission of relieving hunger today and preventing hunger tomorrow towards a vision of a Canada where no one goes hungry.

9. Internally restricted funds

	2023	2022
	\$	\$
Operating Reserve Fund	2,750,000	2,750,000
Disaster Response Reserve Fund	1,000,000	1,000,000
Balance, end of year	3,750,000	3,750,000

10. Externally restricted funds

(a) *Externally restricted funds*

Externally restricted funds at year end total \$3,839,429 (\$12,082,766 in 2022). These funds are held for specific initiatives to support the Network to be expensed by December 2023.

(b) *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.

	2023	2022
	\$	\$
COVID-19 Response Support	8,507,206	26,474,321
Corporate Philanthropy and Cause Campaigns	7,109,821	7,661,606
National Campaigns and Initiatives	9,399,678	4,594,548
	<u>25,016,705</u>	<u>38,730,475</u>

11. Allocation of payroll expenses

Salaries and benefits expenses are allocated to programs or support services based on an estimation of number of hours employees worked on programs.

The summary of allocations is as follows:

	2023	2022
	\$	\$
Food acquisition and sharing	891,047	909,834
Network services and support	1,315,062	1,269,567
Research and advocacy	765,049	605,551
Fund development	1,724,335	1,281,569
Administration	647,719	645,409
	<u>5,343,212</u>	<u>4,711,930</u>

12. Commitments

The Organization entered into a lease agreement expiring on October 1, 2024. Minimum annual lease payments, including additional rent for estimated maintenance and operating costs are as follows:

	\$
2024	211,205
2025	105,602
	<u>316,807</u>

The Organization subleases the above location and therefore sublease rent revenue (\$183,964 in 2024 and \$93,583 in 2025) will be netted against rent expense relating to the original lease.

13. 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.

14. 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.

These risks have not changed from the prior year.

15. Comparative amounts

The following prior year comparative figures have been reclassified to conform to the current year's financial statement presentation:

	<u>As at March 31, 2022</u>	
	As reclassified \$	As previously presented \$
Statement of financial position		
Liabilities		
Deferred capital contribution	27,161	—
Sublease deposit	16,932	—
Deferred rent	—	44,093
	<u>44,093</u>	<u>44,093</u>

The statement of cash flows was amended accordingly.