

**THE FOOD BANK
OF WATERLOO REGION**
FINANCIAL STATEMENTS
JUNE 30, 2023



INDEPENDENT AUDITOR'S REPORT

To the Directors of Food Bank of Waterloo Region Qualified Opinion

I have audited the financial statements of **Food Bank of Waterloo Region**, which comprise the statement of financial position as at **June 30, 2023**, and the statement of operations, the statement changes in net assets, and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of **Food Bank of Waterloo Region** as at **June 30, 2023** and its results of operations, changes in net assets, and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis of Qualified Opinion

In common with many charitable organizations, **Food Bank of Waterloo Region** derives a portion of its revenues from the general public in the form of donations and fundraising the completeness of which is not susceptible to satisfactory audit verification. In addition, Food Bank of Waterloo Region reports in-kind food donations as both revenue and an expense, the completeness and accuracy of which is not susceptible to satisfactory audit verification. Accordingly, my verification of revenues and the expense from these sources was limited to accounting for the amounts recorded in the records of Food Bank of Waterloo Region. Therefore, I was not able to determine whether any adjustments might be necessary to revenues, excess (deficit) of revenues over expenses, and cash flows for the years ended June 30, 2023 and 2022, current assets as at June 30, 2023 and 2022, and net assets as at July 1, 2022 and June 30, 2023 and 2022. My audit opinion on the financial statements for the year ended June 30, 2022 was also modified because of the possible effects of the same limitation in scope.

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

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

Management is responsible for the preparation and fair presentation of the consolidated 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

My 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 my 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.

As part of an audit in accordance with Canadian Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

E.M. Simon CPA

Waterloo, ON
November 14, 2023

E.M. Simon CPA Professional Corporation

Authorized to practise public accounting by the Chartered Professional Accountants of Ontario

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THE FOOD BANK OF WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

(with comparative figures as at June 30, 2022)

(the accompanying notes are an integral part of these financial statements)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT		
Cash - unrestricted	2,774,950	2,745,831
Cash - to fund deferred income - general operations	103,126	103,904
Cash - to fund deferred income - food purchases	-	841,904
Cash - restricted net assets (note 2)	3,400,606	455,190
Investments - restricted net assets (note 2)	8,341,270	8,423,953
HST receivable and accrued interest income	403,500	290,053
Prepaid expenses	11,878	27,507
	<hr/> 15,035,330	<hr/> 12,888,342
LONG-TERM		
Property and equipment (note 3)	1,843,773	1,846,508
	<hr/> \$16,879,103	<hr/> \$14,734,850
LIABILITIES		
CURRENT		
Accounts payable	346,943	192,115
Deferred income - general operations (note 4)	103,126	103,904
Deferred income - COVID19 response and recovery (note 4)	-	841,904
	<hr/> 450,069	<hr/> 1,137,923
LONG-TERM		
Deferred income - capital donations (note 4)	105,569	136,195
	<hr/> 555,638	<hr/> 1,274,118
TOTAL LIABILITIES		
	<hr/> 555,638	<hr/> 1,274,118
NET ASSETS		
Internally restricted net assets (note 6)	11,741,876	8,879,143
Unrestricted net assets	4,581,589	4,581,589
	<hr/> 16,323,465	<hr/> 13,460,732
	<hr/> \$16,879,103	<hr/> \$14,734,850

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2023

(with comparative figures for the year ended June 30, 2022)

(the accompanying notes are an integral part of these financial statements)

	<u>Opening</u>	<u>Operating Surplus</u>	<u>Transfers</u>	<u>Closing</u>
INTERNALLY RESTRICTED NET ASSETS (note 6):				
Operating Reserve	2,899,143	-	1,600,857	4,500,000
Food Purchases Reserve	2,200,000	-	1,000,000	3,200,000
Food Emergency Reserve	400,000	-	-	400,000
Capital Maintenance Reserve	280,000	-	-	280,000
Innovation and Future Capacity Reserve	2,000,000	-	261,876	2,261,876
Emergency Management Reserve	300,000	-	-	300,000
Network Capacity Reserve	800,000	-	-	800,000
	<hr/> 8,879,143	-	2,862,733	11,741,876
UNRESTRICTED NET ASSETS	<hr/> 4,581,589	2,862,733	(2,862,733)	<hr/> 4,581,589
	<hr/> \$13,460,732	\$2,862,733	\$0	<hr/> \$16,323,465

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2023

(with comparative figures for the year ended June 30, 2022)

(the accompanying notes are an integral part of these financial statements)

	<u>2023</u>	<u>2022</u>
REVENUES		
Donations and fundraising	7,937,203	7,913,612
Region of Waterloo - Food Assistance Network (note 1)	744,030	744,030
COVID19 response	841,904	1,047,944
Food Bank Distribution Services (note 1)	149,026	90,619
Investment and other income (loss)	417,584	(5,795)
	<u>10,089,747</u>	<u>9,790,410</u>
In-kind food donations (note 1)	20,092,789	17,176,864
	<u>30,182,536</u>	<u>26,967,274</u>
EXPENDITURES		
Personnel	2,918,599	2,348,948
Administration	500,576	440,118
Fundraising / Food Drive	1,040,441	832,141
Food purchases and processing	1,102,065	578,668
Facilities	240,173	229,878
Professional development and agency relations	83,292	39,320
Transportation	297,328	231,476
Food Assistance Network - Region of Waterloo funding (note 1)	669,844	669,844
Food Assistance Network - Covid-19 response	120,067	137,010
Amortization of property and equipment	254,629	249,301
	<u>7,227,014</u>	<u>5,756,704</u>
In-kind food donations (note 1)	20,092,789	17,176,864
	<u>27,319,803</u>	<u>22,933,568</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,862,733	4,033,706
NET ASSETS - opening	13,460,732	9,427,026
NET ASSETS - closing	<u>\$16,323,465</u>	<u>\$13,460,732</u>

THE FOOD BANK OF WATERLOO REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

(with comparative figures for the year ended June 30, 2022)

(the accompanying notes are an integral part of these financial statements)

Funds provided by (used in):

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	2,862,733	4,033,706
Items not affecting cash flow:		
Amortization of property and equipment	254,629	249,301
Unrealized loss (gain) on investments, current and prior	(106,277)	114,142
Deferred capital donations recognized	(30,626)	(36,263)
	<hr/> 2,980,459	<hr/> 4,360,886
Change in non-cash current assets and liabilities		
Investments	188,960	(52,063)
Funding and GST receivable	(113,447)	(91,688)
Prepaid expenses	15,629	4,067
Accounts payable	154,828	(32,578)
Deferred income - general operations (note 4)	(778)	4,925
Deferred income - COVID19 response and recovery (note 4)	(841,904)	(1,049,194)
Deferred income - food purchases	-	(65,880)
	<hr/> 2,383,747	<hr/> 3,078,475
INVESTING ACTIVITIES		
Purchases of property and equipment	(251,894)	(203,664)
	<hr/> -	<hr/> -
FINANCING ACTIVITIES		
	<hr/> -	<hr/> -
NET CASH FLOWS FOR THE YEAR	2,131,853	2,874,811
CASH - opening	4,146,829	1,272,018
CASH - closing	<hr/> \$6,278,682	<hr/> \$4,146,829
REPRESENTED BY:		
Cash - unrestricted	2,774,950	2,745,831
Cash - to fund deferred income - general operations	103,126	103,904
Cash - to fund deferred income - food purchases	-	841,904
Cash - restricted net assets (note 2)	3,400,606	455,190
	<hr/> \$6,278,682	<hr/> \$4,146,829

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

1. NATURE OF ORGANIZATION

The Food Bank of Waterloo Region is a registered charity which collects food from the general public and the local food industry for redistribution to member agencies, who in turn provide the food to the less fortunate. The Food Bank of Waterloo Region is incorporated without share capital, and as a charity registered under the Income Tax Act of Canada, does not pay income tax.

The **Food Assistance Network** is a program funded by the Region of Waterloo, which supports a range of food security service delivery programs within the Region through contracts with selected member agencies. The Food Bank of Waterloo Region also receives funding to support the administration of the Community Food Assistance Network.

The **Food Bank Distribution Services** program secures food donations from the food industry throughout Southwestern Ontario and is funded by participating food banks and designated contributions.

BASIS OF PRESENTATION

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

ACCOUNTING POLICIES

Revenue recognition - The Food Bank of Waterloo Region uses the deferral method for recognizing revenues, whereby, provided collection is reasonably assured, externally restricted contributions received or receivable are reflected as deferred income and only recognized as revenue when the related expenses have been incurred. Unrestricted revenues are reflected when received or receivable, at fair values, provided such amounts are reasonably estimable and collection reasonably assured.

As is the policy for many food banks across Canada, The Food Bank of Waterloo Region recognizes the dollar value of in-kind food donations from industry, businesses and the general public. Donations of food received in the current year totaled 6,259,436 pounds (6,556,055 in the prior year). These donations of food have been valued, based on national standards recommended by Food Banks Canada, at \$3.21 per pound (\$2.62 per pound in the prior year), which management believes to be a reasonable reflection of fair value. This dollar value of in-kind food donations is reflected as both a revenue, and an expense, on the Statement of Operations.

The Food Bank of Waterloo Region also benefits from many hours of time donated by many volunteers. As determining a fair value for these contributions is impractical, the value of these contributions is not reflected in these financial statements.

Cash - Cash consists of cash on hand and cash balances held in financial institutions. The Board has instructed management to maintain sufficient liquid assets to fund restricted net assets, plus meet the organization's commitment to spend deferred income amounts related to general operations, food purchases and capital donations, as designated by donors.

Food purchases and inventory - Food purchases are recorded as an expense at the date of purchase. As it is not practical to track and determine the fair value of food items, including donated food on hand at yearend, they are not reflected as inventory in these financial statements.

Property and equipment - Property and equipment are reflected at cost, which is amortized using the declining balance method - equipment at 25% per annum, vehicles at 25% per annum, freezers and coolers at 20% per annum and the building at 4% per annum.

Use of estimates - The preparation of the financial statements requires management to make estimates and assumption that may affect the reported amount of assets and liabilities at the financial statement date and the reported revenues and expenses reported for the year. Items included in these financial statements subject to estimates and assumptions include amortization related to the useful life of capital assets, and in-kind food donations. Actual values could differ from those estimates.

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

1. ACCOUNTING POLICIES (continued)

Financial Instruments - A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument for another. The organization initially measures its financial assets and liabilities at fair value, except for non-arms-length transactions, if any, which are measured at amortized cost or face value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments with quoted fair values in active markets, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets are tested for impairment when there are indicators of impairment, and any write-down is recognized on the statement of operations. Any previously recognized impairment losses may be reversed and reflected as income to the extent of improvement. The organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. FINANCIAL INSTRUMENTS

	<u>2023</u>		<u>2022</u>	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	
Financial assets reflected at fair (market) value:				
Preferred shares and mutual funds	1,056,142	-	1,056,142	949,865
Financial assets reflected at amortized cost:				
Cash and fixed term deposits with face value interest at .2.33% to 5.44%, due 2023 through 2024	7,285,128	-	7,285,128	7,474,088
Investments reflected at amortized cost:	7,285,128	-	7,285,128	7,474,088
Cash	3,400,606	2,878,076	6,278,682	3,691,639
Funding receivable (excluding HST)	-	88,452	88,452	28,930
Total financial assets reflected at amortized cost	10,685,734	2,966,528	13,652,262	11,194,657
	<u>\$11,741,876</u>	<u>\$2,966,528</u>	<u>\$14,708,404</u>	<u>\$12,144,522</u>

	<u>2023</u>	<u>2022</u>
Investment income (loss):		
Unrealized gains (losses) - adjustments to fair value	106,277	(114,142)
Interest and dividend income	277,738	93,403
Management fees	(19,226)	(20,330)
	<u>\$364,789</u>	<u>\$(41,069)</u>

The Board has instructed management to invest excess cash balances until they are needed to fund ongoing operations.

As in the prior year, management believes the organization does face some market, currency and interest rate risk with respect to its investments in that significant changes in the equity markets, currency exchange rates or interest rates could impact the fair value of investments held. As in the prior year, management does not believe the organization faces any significant credit or liquidity risk.

3. PROPERTY AND EQUIPMENT

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment	635,505	393,132	242,373	220,647
Vehicles	1,023,625	546,414	477,211	448,505
Freezer	484,885	392,521	92,364	115,455
Real estate - building	1,567,216	845,391	721,825	751,901
Real estate - land	310,000	-	310,000	310,000
	<u>\$4,021,231</u>	<u>\$2,177,458</u>	<u>\$1,843,773</u>	<u>\$1,846,508</u>

THE FOOD BANK OF WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

4. DEFERRED INCOME	<u>General Operations</u>	<u>COVID19 Response and recovery</u>	<u>Capital Donations</u>
Opening balance	103,904	841,904	136,195
Restricted contributions received	16,847	-	-
Recognized in operations	(17,625)	(841,904)	(30,626)
Closing balance	\$103,126	\$0	\$105,569

In the previous two fiscal years, the Food Bank of Waterloo Region received significant contributions designated for funding of COVID19 emergency response and related recovery expenses.

5. COMMITMENTS AND CONTINGENCIES

Lease commitments:

The Food Bank of Waterloo Region has lease commitments with respect to two vehicles. The first requires monthly payments of \$1,682 until June 2023, the second requires monthly payments of \$1,950 until July 2025. Lease payments are projected to be \$23,400 in the 2024 fiscal year and \$1,950 in the 2025 fiscal year.

6. INTERNALLY RESTRICTED NET ASSETS

The Board of Directors has restricted the use of cash and/or investments to fund the following reserves:

Operating Reserve - to provide approximately six months operating expenses as working capital to accommodate fluctuations in cash flow and program funding.

Food Purchases Reserve - to provide funding to purchase food in the event of significant events (such as Covid-19) or gaps in supply chains.

Food Emergency Reserve - to provide funding to purchase food in the event of emergencies such as damage or theft, so as to prevent disruption to network programs and agency partners.

Capital Maintenance Reserve - to address the needs of an aging building and ensure optimal health and safety of staff and volunteers.

Innovation and Future Capacity Reserve - to provide resources for emerging program capacity support, to ensure safe and secure spaces to distribute food and implement new programs to meet the needs of diverse and changing communities.

Emergency Management Reserve - to support community food and program needs in crisis situations as outlined in the Region of Waterloo Emergency Management Plans.

Network Capacity Reserve - to support programs in the provision of innovative food support services and programs in the community to meet the food assistance needs in Waterloo Region.

7. COMPARATIVE FIGURES

Some comparative figures have been reclassified to comply with presentation adopted in the current fiscal year.