

**Ontario Association of
Food Banks
Financial Statements
For the year ended March 31, 2016**

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Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Members of Ontario Association of Food Banks

We have audited the accompanying financial statements of Ontario Association of Food Banks, which comprise the statement of financial position as at March 31, 2016 and the statements of changes in fund balances, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Association of Food Banks as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
May 26, 2016

**Ontario Association of Food Banks
Statement of Financial Position**

March 31 **2016** **2015**

Assets

Current

Cash (Note 2)	\$	163,219	\$	157,175
Money market mutual funds (Note 3)		242,348		339,953
Accounts receivable		47,491		57,140
Prepaid expenses		9,995		20,813
		<hr/>		
		463,053		575,081

Capital assets (Note 4)

		10,212		14,157
		<hr/>		
	\$	473,265	\$	589,238

Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities	\$	73,325	\$	101,145
Deferred revenue		150,125		100,909
		<hr/>		
		223,450		202,054

Fund balances

Invested in capital assets		10,212		14,157
Unrestricted		-		21,829
Operating contingency reserve		239,603		150,000
Distribution fund		-		201,198
		<hr/>		
		249,815		387,184
		<hr/>		
	\$	473,265	\$	589,238

On behalf of the Board

 <hr style="border: 0.5px solid black;"/>	Director
 <hr style="border: 0.5px solid black;"/>	Director

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

**Ontario Association of Food Banks
Statement of Changes in Fund Balances**

For the year ended March 31

					2016	2015
	Invested in Capital Assets	Unrestricted	Operating Contingency Reserve	Distribution Fund	Total	Total
Balance , beginning of year	\$ 14,157	\$ 21,829	\$ 150,000	\$ 201,198	\$ 387,184	\$ 514,131
Deficiency of revenue over expenditures for the year	-	(137,369)	-	-	(137,369)	(126,947)
Amortization of capital assets	(3,945)	3,945	-	-	-	-
Transfer of funds (Note 7)	-	111,595	89,603	(201,198)	-	-
Balance , end of year	\$ 10,212	\$ -	\$ 239,603	\$ -	\$ 249,815	\$ 387,184

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

Ontario Association of Food Banks Statement of Operations

For the year ended March 31	2016	2015
Revenue		
Gifts in kind	\$ 12,476,407	\$ 17,518,431
Donations	334,121	364,761
Grants from other organizations	110,886	51,360
Food drives	554,386	1,361,293
Food program	174,225	266,105
Membership dues	37,133	35,672
National program	56,091	10,000
Conference fees	85,111	94,398
Interest and other	11,113	4,135
Member programs	87,245	77,742
	<u>13,926,718</u>	<u>19,783,897</u>
Expenditures		
Advertising, promotion and fundraising events	25,618	31,274
Amortization	3,945	5,860
Bank charges and interest	5,932	5,454
Distribution management	43,434	42,345
Dues and fees	16,606	21,167
Food banks - share of food drives	56,253	815,896
Food purchases	174,225	266,105
Food transportation	47,160	60,993
Gifts in kind - food	12,435,410	17,446,065
Gifts in kind - other	-	23,550
Gifts in kind - transportation	40,997	48,816
Grants to member food banks	22,500	20,000
Insurance	2,841	2,761
Meetings and conferences	52,679	70,917
Member programs	447,011	511,932
Office, postage and general	38,004	22,003
Professional fees	67,829	43,610
Program materials	2,771	13,430
Rent	68,544	62,943
Salaries and benefits	501,129	384,504
Telephone	5,880	6,267
Travel and meals	5,319	4,952
	<u>14,064,087</u>	<u>19,910,844</u>
Deficiency of revenue over expenditures for the year	\$ (137,369)	\$ (126,947)

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

Ontario Association of Food Banks Statement of Cash Flows

For the year ended March 31	2016	2015
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	\$ (137,369)	\$ (126,947)
Adjustments required to reconcile net deficiency of revenue over expenditures with net cash provided by operating activities		
Amortization of capital assets	3,945	5,860
Changes in non-cash working capital balances		
Accounts receivable	9,649	30,695
Prepaid expenses	10,818	(5,952)
Accounts payable and accrued liabilities	(27,820)	68,516
Deferred revenue	49,216	6,016
	(91,561)	(21,812)
Investing activity		
Redemption (purchase) of money market mutual funds	97,605	(4,135)
Increase (decrease) in cash during the year	6,044	(25,947)
Cash, beginning of year	157,175	183,122
Cash, end of year	\$ 163,219	\$ 157,175

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

Ontario Association of Food Banks

Notes to Financial Statements

March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Ontario Association of Food Banks ("the Association") was incorporated as a corporation without share capital by letters patent under the Ontario Corporations Act on March 19, 1992. As a not-for-profit organization, the Association is exempt from the payment of income taxes as provided under the Income Tax Act and is a registered charity.

The Association is a membership organization of food banks throughout Ontario with a mandate to assist in meeting the immediate food needs of food bank recipients and to work towards long-term solutions to hunger and poverty.

Basis of Accounting

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

Capital Assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of the contribution. Amortization is provided on capital assets using the following annual rates and methods:

Furniture and equipment	- 20 % declining balance basis
Computer equipment	- 40 % declining balance basis

Revenue Recognition

The Association follows the deferral method of accounting for donations and grants.

Unrestricted revenue including donations, gifts in kind, food drives, food program and national program, are recognized as revenue in the year received. Unrestricted grants from other organizations are recognized as revenue in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted donations, member program revenue and restricted grants are recognized as revenue in the year in which the related expenses are incurred.

Conference fees are recognized when the conference occurs.

Membership fees are paid on an annual basis and are recognized over the term of membership.

Ontario Association of Food Banks

Notes to Financial Statements

March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Donated Materials and Services

Donated materials and services are recorded in the financial statements as gifts in kind at fair market value when fair market value can be reasonably estimated and when the Association would otherwise have required these items. Food, milk, other supplies and other services of \$12,476,407 were donated during the year and are included in the statement of operations (2015 - \$17,518,431).

Volunteer Hours

Volunteer hours are not normally purchased and due to the difficulty in determining their fair market value, these contributed services are not recognized in the financial statements.

Deferred Revenue

Deferred revenue includes the portion of grants received that continue into the next fiscal period that are unspent at year end. Deferred revenue also includes conference fees collected in advance of the conference taking place.

Operating Contingency Reserve

The Operating Contingency Reserve is an internally restricted fund for unanticipated general operating contingencies and the development of food distribution systems. The funds are not available for use by the Association without the prior approval of the Board of Directors. See Note 7.

Distribution Fund

In 2006, the Association received a donation of \$340,623 from another entity in accordance with the terms of a lawsuit settlement. This income was reported in the statement of operations for the year ended December 31, 2006 and was subsequently transferred into the Distribution Fund. The Distribution Fund is an internally restricted fund used for unanticipated general contingencies. The funds cannot be utilized without the prior approval of the Board of Directors. Part of the fund has been used for member food banks. In 2011, \$51,565 was transferred from the distribution fund to the unrestricted fund. The funds have been transferred to the Operating Contingency Reserve during the current year, see Note 7.

Financial Instruments

Money market mutual funds are reported at fair value. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Ontario Association of Food Banks Notes to Financial Statements

March 31, 2016

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with 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 amounts of revenues and expenditures during the reporting year. Actual results could differ from management's best estimates, as additional information becomes available in the future.

2. Cash

Within the cash balance, \$Nil (2015 - \$11,245) is restricted for general operating contingencies and the development of food distribution systems.

3. Money Market Mutual Funds

The Association's money market mutual funds are held at one financial institution. As at March 31, 2016, \$242,348 (2015 - \$339,953) is restricted for general operating contingencies and the development of food distribution systems.

4. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 31,583	\$ 24,712	\$ 31,583	\$ 22,994
Computer equipment	33,728	30,387	33,728	28,160
	\$ 65,311	\$ 55,099	\$ 65,311	\$ 51,154
Net book value		\$ 10,212		\$ 14,157

Ontario Association of Food Banks Notes to Financial Statements

March 31, 2016

5. Financial Instrument Risk

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 Association is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of its money market mutual funds. The risk has not changed from prior year.

Credit 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 Association is exposed to credit risk arising from its accounts receivable. The majority of the Association's receivables are from its members. The risk has not changed from prior year.

6. Commitments

The Association is committed to future annual operating lease payments for its current location as follows:

2017	\$	34,714
2018		36,075
2019		<u>12,252</u>
	\$	<u>83,041</u>

7. Transfer of Funds

During the year, the Board of Directors approved the transfer of funds of \$201,198 from the Distribution Fund to the Operating Contingency Reserve. The transfer combined the two funds into one internally restricted fund that has been named the Operating Contingency Reserve.

The Board of Directors also approved a transfer of \$111,595 to the Unrestricted fund to cover the deficit.