

THE ONTARIO ASSOCIATION OF FOOD BANKS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Ontario Association of Food Banks

I have audited the accompanying financial statements of The Ontario Association of Food Banks, which comprise the balance sheet as at March 31, 2012, and the statement of revenues and expenses, statement of changes in fund balances and statement of 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 of these financial statements in accordance with Canadian generally accepted accounting principles 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 organization's preparation 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 organization'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 presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives some of its revenue from donations and from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to donations, revenues from fundraising activities, excess of revenues over expenses, current assets and fund balances.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Ontario Association of Food Banks as at March 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance Canadian generally accepted accounting principles.

Hamilton, Ontario
June 4, 2012

Chartered Accountant, Licensed Public Accountant

THE ONTARIO ASSOCIATION OF FOOD BANKS

**BALANCE SHEET
AS AT MARCH 31, 2012**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Bank and term deposits	\$ 187,183	\$ 278,575
Accounts receivable	178,110	343,803
Advance to employee	-	1,996
Prepaid expenses	<u>16,778</u>	<u>24,591</u>
	382,071	648,965
Restricted Assets		
Bank and term deposits (note 2(e))	20,457	347,971
Money market mutual funds	<u>327,514</u>	<u>-</u>
	347,971	347,971
Capital Assets (note 3)	<u>16,843</u>	<u>23,537</u>
	<u>\$ 746,885</u>	<u>\$ 1,020,473</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 100,007	\$ 295,664
Deferred revenue	<u>167,398</u>	<u>209,716</u>
	267,405	505,380
Long-term Liabilities		
Deferred contributions (note 4)	<u>-</u>	<u>299</u>
	267,405	505,679
FUND BALANCES		
Investment in capital assets	16,843	23,238
Unrestricted (general fund)	114,666	143,585
Capital reserve	(3,227)	(3,227)
General reserve	150,000	150,000
Distribution fund (note 5)	<u>201,198</u>	<u>201,198</u>
	<u>479,480</u>	<u>514,794</u>
	<u>\$ 746,885</u>	<u>\$ 1,020,473</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

ONTARIO ASSOCIATION OF FOOD BANKS

**STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2012**

	<i>Capital Invested</i>	<i>Unrestricted</i>	<i>Capital Reserve</i>	<i>General Reserve</i>	<i>Distribution Fund</i>	<i>Total <u>2012</u></i>	<i>Total <u>2011</u></i>
Balance, <i>beginning of year, as previously reported</i>	\$ 23,238	\$ 119,490	\$ (3,227)	\$ 150,000	\$ 201,198	\$ 490,699	\$ 738,293
Prior period adjustment (note 7)	<u>-</u>	<u>24,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,095</u>	<u>(1,838)</u>
Balance, <i>beginning of year, restated</i>	23,238	143,585	(3,227)	150,000	201,198	514,794	736,455
Excess of expenses over revenues	-	(35,314)	-	-	-	(35,314)	(221,661)
Amortization - capital assets	(6,694)	6,694	-	-	-	-	-
Amortization - deferred contributions	<u>299</u>	<u>(299)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, <i>end of year</i>	<u>\$ 16,843</u>	<u>\$ 114,666</u>	<u>\$ (3,227)</u>	<u>\$ 150,000</u>	<u>\$ 201,198</u>	<u>\$ 479,480</u>	<u>\$ 514,794</u>

THE ONTARIO ASSOCIATION OF FOOD BANKS

**STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2012**

	<u>2012</u>	<u>2011</u>
Revenues		
Gifts in kind	\$ 15,117,182	\$ 9,813,683
Donations	357,861	396,923
Grants from other organizations	216,930	256,545
Amortization of deferred contributions	299	689
Food drives	514,565	441,942
Food program	438,373	299,050
Membership dues	15,625	18,535
National program	45,694	5,595
Conference fees	20,657	14,694
Interest and other	<u>3,607</u>	<u>12,726</u>
	16,730,793	11,260,382
Expenses		
Advertising, promotion and fundraising events	82,685	54,297
Amortization	6,694	7,868
Bank charges and interest	6,161	10,019
Contracted services	27,862	102,957
Dues and fees	15,840	11,153
Distribution management	385	51,598
Food banks - share of food drives	465,913	367,010
Food purchases	401,350	383,044
Food transportation	58,354	57,856
Gift in kind - food	14,832,829	9,688,483
Gift in kind - transportation	34,353	10,000
Gift in kind - software	250,000	-
Gift in kind - research publication	-	115,200
Grants to member food banks	1,072	-
Insurance	2,282	2,146
Meetings and conferences	45,910	52,889
Office, postage and general	52,991	31,717
Professional fees	41,141	17,342
Program materials	25,756	35,529
Rent	35,531	35,575
Salaries and benefits	360,525	434,231
Telephone	6,955	9,532
Travel and meals	<u>11,518</u>	<u>3,597</u>
	<u>16,766,107</u>	<u>11,482,043</u>
Excess of expenses over revenues	<u>\$ (35,314)</u>	<u>\$ (221,661)</u>

THE ONTARIO ASSOCIATION OF FOOD BANKS

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012**

	<u>2012</u>	<u>2011</u>
Cash from operating activities		
Excess of expenses over revenues	\$ (35,314)	\$ (221,661)
Adjustments for items not affecting cash		
Amortization of capital assets	6,694	7,868
Amortization of deferred contributions	<u>(299)</u>	<u>(689)</u>
	(28,919)	(214,482)
Changes in non-cash working capital balances		
Accounts receivable	165,693	(36,877)
Employee advance	1,996	(1,996)
Prepaid expenses	7,813	(16,059)
Accounts payable and accrued liabilities	(195,657)	75,316
Deferred revenue	<u>(42,318)</u>	<u>(1,406)</u>
	<u>(62,473)</u>	<u>18,978</u>
	(91,392)	(195,504)
Cash from financing and investing activities		
Additions to capital assets	-	(3,000)
Additions to long term investments	<u>(327,514)</u>	<u>-</u>
	(327,514)	(3,000)
Increase (decrease) in cash	(418,906)	(198,504)
Cash, beginning of year	<u>626,546</u>	<u>825,050</u>
Cash, end of year	<u><u>\$ 207,640</u></u>	<u><u>\$ 626,546</u></u>

Cash is comprised of bank and term deposits and includes restricted assets

**THE ONTARIO ASSOCIATION OF FOOD BANKS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

1. Purpose of the Organization

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.

2. Summary of Significant Accounting Policies

(a) Capital Assets

Capital assets are recorded at cost. Contributed capital assets, which are recorded at fair value at the date of the contribution, are recognized as revenue in the capital asset fund. Amortization is provided on capital assets using following annual rates and methods:

Office furniture and equipment	20%	declining balance
Computer equipment	40%	declining balance
Computer software	25%	straight line
Leasehold improvements	15%	straight line

(b) Revenue Recognition

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

Restricted donations and grants are recognized as revenue in the year in which the related expenses are incurred.

Fundraising income, unrestricted donations and grants 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.

(c) Donated Materials and Services

Donated materials and services are recorded in the financial statements at fair market value when fair market value can be reasonably estimated and when the Association would otherwise have required these items.

Because the hours of service by volunteers are not normally purchased and the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

Food, milk, and other supplies and other services of \$15,117,182 were donated during the year and are included in the statement of revenues and expenses (2011 - \$9,813,683).

(d) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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 expenses during the reporting year. Actual results could differ from management's best estimates, as additional information becomes available in the future.

(e) Restricted assets

The Association has established reserve funds for financing future capital purchases, possible operating deficits and the development of food distribution systems.

(f) Future Accounting Standards

The organization has an option to choose between two new financial reporting standards that can be applied for future year ends beginning with the fiscal year ending March 31, 2012. The Organization has the option of adopting International Financial Reporting Standards or Accounting Standards for Not-for-Profit Organizations.

Management is required to decide which accounting standard will be adopted by the Organization. At this time, the impact on the Organization's future financial position has not been determined

3. Capital Assets

	Cost	Accumulated Amortization	Net 2012	Net 2011
Office furniture and equipment	\$ 25,802	\$ 17,157	\$ 8,645	\$ 10,806
Computer equipment	20,308	17,700	2,608	4,346
Computer software	2,993	2,993	-	-
Leasehold improvements	13,975	8,385	5,590	8,385
	<u>\$ 63,078</u>	<u>\$ 46,235</u>	<u>\$ 16,843</u>	<u>\$ 23,537</u>

**THE ONTARIO ASSOCIATION OF FOOD BANKS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

4. Deferred Contributions

Deferred contributions include the unamortized portions of contributed capital assets and restricted contributions for capital assets.

The changes in the deferred contributions balances are as follows:

	<u>2012</u>	<u>2011</u>
Balance, <i>beginning of year</i>	\$ 299	\$ 988
Amounts amortized to revenue	<u>(299)</u>	<u>(689)</u>
Balance, <i>end of year</i>	<u>\$ -</u>	<u>\$ 299</u>

5. Distribution Fund

In 2006, the Association received funds of \$340,623 from a lawsuit settlement. This income was reported in the statement of revenues and expenses for the year ending December 31, 2006 and transferred into the Distribution Fund. In subsequent years, some of these funds were granted to member food banks. In 2011, \$51,565 was transferred from the distribution fund to the unrestricted (general) fund balance.

6. Comparative Figures

Certain comparative figures on the statement of revenues and expenses have been reclassified to conform to the presentation adopted for 2011.

7. Prior Period Adjustment

In 2011, additional membership fees were expensed. This resulted in the prepaid expense to be understated by \$10,399 and the 2010 expense to be understated by \$1,838.

In August 2011, vacation pay was paid for vacation was recorded twice. This resulted in the vacation accrual being overstated by \$13,695.

The financial statements have been restated and a summary of the prior period adjustments are as follows:

	<u>2012</u>	<u>2011</u>
Membership fees	\$ 10,400	\$ (1,838)
Vacation pay accrual not set up	<u>13,695</u>	<u>-</u>
	<u>\$ 24,095</u>	<u>\$ (1,838)</u>

9. Financial Instruments

The organization's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

(a) Interest Rate Risk

The organization is exposed to significant interest rate risk since two of its investments' interest rates are based on the market rate. Management does not expect interest rates to vary significantly in the next year.

(b) Liquidity Risk

Liquidity risk arises through having excess financial obligations over available financial assets at any point in time. The organization's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The organization achieves this by maintaining sufficient cash and cash equivalents.