

Financial Statements of

**PARTNERS IN MISSION
FOOD BANK**

Years ended December 31, 2012 and 2011



KPMG LLP
Chartered Accountants
863 Princess Street, Suite 400
Kingston, Ontario K7L 5N4
Canada

Telephone (613) 549-1550
Fax (613) 549-6349
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Partners in Mission Food Bank

We have audited the accompanying financial statements of Partners in Mission Food Bank, which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 2011, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the Partners in Mission Food Bank derives revenue from donations, gifts in-kind and non-receipted income, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the entity and we were not able to determine whether, as at or for the years ended December 31, 2012 and December 31, 2011, any adjustments might be necessary to revenue, excess of revenue over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Partners in Mission Food Bank as at December 31, 2012, December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Accountants, Licensed Public Accountants

May 10, 2013

Kingston, Canada

PARTNERS IN MISSION FOOD BANK

Financial Statements

Years ended December 31, 2012 and 2011

Financial Statements

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PARTNERS IN MISSION FOOD BANK

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets:			
Cash	\$ 359,581	\$ 405,406	\$ 333,973
Accounts receivable and accrued interest	37,675	32,774	13,647
Investments, current portion	140,617	-	130,950
Prepaid expenses and deposits	1,430	1,430	1,430
	539,303	439,610	480,000
Investments, non-current portion	128,000	260,534	231,451
Capital assets (note 3)	501,734	402,782	351,647
	\$ 1,169,037	\$ 1,102,926	\$ 1,063,098

Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities	\$ 27,153	\$ 34,507	\$ 29,728
Deferred revenue	-	-	56,321
	27,153	34,507	86,049
Deferred capital contributions (note 2)	185,456	149,335	80,418
Net assets:			
Unrestricted	484,014	409,502	269,269
Internally restricted - operating reserve fund	25,000	25,000	125,000
Internally restricted - capital reserve fund	131,136	131,136	231,136
Internally restricted - vehicle purchase	-	100,000	-
Investment in capital assets (note 2)	316,278	253,446	271,226
	956,428	919,084	896,631
	\$ 1,169,037	\$ 1,102,926	\$ 1,063,098

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

PARTNERS IN MISSION FOOD BANK

Statements of Operations

Years ended December 31, 2012 and 2011

	2012	2011
Revenue:		
Donated food (gifts-in-kind)	\$ 1,119,357	\$ 994,578
Donations	222,252	320,425
Non-receipted income	290,943	248,602
Interest	15,944	11,159
Amortization of deferred capital contributions	8,407	6,082
	<u>1,656,903</u>	<u>1,580,846</u>
Expenses:		
Distributed food (gifts-in-kind)	1,119,357	994,578
Salaries and benefits	276,288	265,805
Food purchased	96,459	85,715
Administration	39,109	30,461
Amortization of capital assets	32,415	20,054
Other occupancy costs	17,988	15,169
Delivery	12,819	11,117
Repairs and maintenance	7,152	5,776
Audit fees	5,972	7,125
Advertising	5,771	953
Insurance	3,272	2,975
Education and seminars	2,235	1,664
Other	722	16,478
Loving Spoonful expenses	-	100,509
Interest charges	-	14
	<u>1,619,559</u>	<u>1,558,393</u>
Excess of revenue over expenses	<u>\$ 37,344</u>	<u>\$ 22,453</u>

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

	Unrestricted	Internally restricted			Investment in capital assets	2012
		Operating reserve fund	Capital reserve fund	Vehicle purchase		
Net assets, beginning of year	\$ 409,502	\$ 25,000	\$ 131,136	\$ 100,000	\$ 253,446	\$ 919,084
Fund transfers (note 6)	100,000	-	-	(100,000)	-	-
Excess of revenue over expenses (expenses over revenue) (note 2)	61,352	-	-	-	(24,008)	37,344
Net change in investment in capital assets (note 2)	(86,840)	-	-	-	86,840	-
Net assets, end of year	\$ 484,014	\$ 25,000	\$ 131,136	\$ -	\$ 316,278	\$ 956,428

	Unrestricted	Internally restricted			Investment in capital assets	2011
		Operating reserve fund	Capital reserve fund	Vehicle purchase		
Net assets, beginning of year	\$ 269,269	\$ 125,000	\$ 231,136	\$ -	\$ 271,226	\$ 896,631
Fund transfers (note 6)	100,000	(100,000)	(100,000)	100,000	-	-
Excess of revenue over expenses (expenses over revenue) (note 2)	36,425	-	-	-	(13,972)	22,453
Net change in investment in capital assets (note 2)	3,808	-	-	-	(3,808)	-
Net assets, end of year	\$ 409,502	\$ 25,000	\$ 131,136	\$ 100,000	\$ 253,446	\$ 919,084

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 37,344	\$ 22,453
Items not involving cash:		
Amortization of deferred capital contributions	(8,407)	(6,082)
Amortization of capital assets	32,415	20,054
Change in non-cash operating working capital:		
Accounts receivable and accrued interest	(4,901)	(19,127)
Accounts payable and accrued liabilities	(7,353)	4,777
Deferred revenue	-	(56,321)
	49,098	(34,246)
Financing activities:		
Deferred capital contributions	44,528	75,000
Investing activities:		
Decrease (increase) in investments, current portion	(140,617)	130,950
Decrease (increase) in investments, non-current portion	132,534	(29,083)
Purchase of capital assets	(131,368)	(71,188)
	(139,451)	30,679
Increase (decrease) in cash	(45,825)	71,433
Cash, beginning of year	405,406	333,973
Cash, end of year	\$ 359,581	\$ 405,406

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements

Years ended December 31, 2012 and 2011

Partners in Mission Food Bank (the "Entity") is incorporated without share capital under the laws of Ontario, by Letters Patent. The Entity operates a community food bank and is a registered charity under the Income Tax Act. Accordingly, the Entity is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

On January 1, 2012, the Entity adopted Canadian accounting standards for not-for-profit organizations. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Entity has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

There were no adjustments to net assets as at January 1, 2011 or to revenue over expenses for the year ended December 31, 2011 as a result of the transition to these standards.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards Organizations in Part III of the CICA Handbook.

(a) Revenue recognition:

The Entity follows the deferral method of accounting for contributions, which include donations.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a declining balance basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Amortization is provided on the declining balance basis using the following annual rates:

Asset	Rate
Building	5%
Vehicles	20%
Equipment	7%
Office equipment	20%
Computer hardware	30%
Computer software	100%
Building improvements	20%
Outdoor equipment	5% - 20%

Construction in progress is not amortized until the project is complete and the facilities come into use.

(c) Gifts-in-kind:

Gifts-in-kind are recorded at their fair market value as both revenue and expenses on the "Statement of Operations", when fair market value can be reasonably estimated and when the Entity would otherwise have required these items. Food, milk, and other supplies of \$1,119,357 (2011 - \$994,578) were donated during the year and are included in the statement of revenue and expenses.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(e) Impairment of long-lived assets:

The Entity periodically reviews the useful lives and the carrying values of its long-lived assets. The Entity reviews for impairment long-lived asset groups whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the undiscounted future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value. When quoted market prices are not available, the Entity uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed annually and, as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of time each year to assist the entity in carrying out its service activities. Because of the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

2. Investment in capital assets:

(a) The investment in capital assets is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Capital assets	\$ 501,734	\$ 402,781	\$ 351,647
Less:			
Amounts financed by deferred capital contributions	(185,456)	(149,335)	(80,421)
	<u>\$ 316,278</u>	<u>\$ 253,446</u>	<u>\$ 271,226</u>

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

2. Investment in capital assets (continued):

(b) The change in investment in capital assets is calculated as follows:

	2012	2011
Excess of expenses over revenue:		
Amortization of deferred capital contributions	\$ 8,407	\$ 6,082
Amortization of capital assets	(32,415)	(20,054)
	(24,008)	(13,972)
Net change in investment in capital assets:		
Increase in deferred capital contributions	(44,528)	(75,000)
Purchase of capital assets	131,368	71,192
	86,840	(3,808)
	\$ 62,832	\$ (17,780)

3. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Land	\$ 67,252	\$ -	\$ 67,252
Building	305,566	103,270	202,296
Vehicles	157,706	63,308	94,398
Equipment	60,943	12,292	48,651
Office equipment	8,529	5,092	3,437
Computer hardware	15,260	14,289	971
Computer software	2,456	2,456	-
Outdoor equipment	67,949	5,466	62,483
Building improvements	29,385	7,139	22,246
	\$ 715,046	\$ 213,312	\$ 501,734

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

3. Capital assets (continued):

December 31, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 67,252	\$ -	\$ 67,252
Building	305,566	92,623	212,943
Vehicles	66,836	51,068	15,768
Equipment	21,831	9,868	11,963
Office equipment	7,906	4,266	3,640
Computer hardware	15,260	13,873	1,387
Computer software	2,456	2,456	-
Outdoor equipment	63,580	1,957	61,623
Building improvements	29,385	4,787	24,598
Construction-in-progress	3,608	-	3,608
	\$ 583,680	\$ 180,898	\$ 402,782

January 1, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 67,252	\$ -	\$ 67,252
Building	305,566	81,416	224,150
Vehicles	66,836	47,126	19,710
Equipment	21,831	8,479	13,352
Office equipment	6,565	3,515	3,050
Computer hardware	14,636	13,412	1,224
Computer software	2,456	2,456	-
Outdoor equipment	2,775	1,752	1,023
Building improvements	24,573	2,687	21,886
	\$ 512,490	\$ 160,843	\$ 351,647

4. Financial risks:

The Entity manages its investment portfolio to earn investment income and invests according to a Board policy. The Entity is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

4. Financial risks (continued):

The Entity believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments.

Additionally, the Entity believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. The fixed income securities yield interest between 2.4% and 6.75% and have maturities ranging from January 2013 to April 2014.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$710 (December 31, 2011 - \$660, January 1, 2011 - \$741), which includes amounts payable for HST and payroll related taxes.

6. Internally restricted:

The Entity's board of directors approved the following internally restricted funds:

Capital reserve fund:

Funds are to be set aside for all capital projects to be undertaken.

Operating reserve fund:

The primary objective is to set aside funds to ensure the Entity will be able to provide operating expenses for purchases and salaries to meet the needs of day-to-day operations.