

Financial Statements of

**PARTNERS IN MISSION
FOOD BANK**

Year ended December 31, 2015



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Partners in Mission Food Bank

We have audited the accompanying financial statements of the Partners in Mission Food Bank, which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, 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 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 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 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, 2015 and December 31, 2014, any adjustments might be necessary to revenue, excess of expenses over revenue, 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, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

May 13, 2016

Kingston, Canada

PARTNERS IN MISSION FOOD BANK

Financial Statements

Year ended December 31, 2015

Financial Statements

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PARTNERS IN MISSION FOOD BANK

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 334,301	\$ 342,025
Accounts receivable and accrued interest	38,853	41,220
Investments, current portion	257,210	-
Prepaid expenses and deposits	-	2,322
	630,364	385,567
Investments, non-current portion	-	253,159
Capital assets (note 3)	447,289	447,887
	\$ 1,077,653	\$ 1,086,613

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 38,414	\$ 32,686
Deferred capital contributions	189,866	164,866
Net assets:		
Unrestricted	210,770	224,860
Internally restricted - operating reserve fund	250,000	250,000
Internally restricted - capital reserve fund	131,180	131,180
Investment in capital assets (note 2)	257,423	283,021
	849,373	889,061
	\$ 1,077,653	\$ 1,086,613

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

PARTNERS IN MISSION FOOD BANK

Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Donated food (gifts-in-kind)	\$ 1,466,778	\$ 1,553,950
Non-receipted income	359,145	352,148
Donations	195,491	217,986
Interest	7,577	6,903
	<u>2,028,991</u>	<u>2,130,987</u>
Expenses:		
Distributed food (gifts-in-kind)	1,468,244	1,555,097
Salaries and benefits	334,931	338,411
Food purchased	135,474	142,423
Administration	45,202	37,624
Other occupancy costs	23,586	20,304
Delivery	14,110	17,596
Repairs and maintenance	7,965	3,190
Audit fees	6,288	7,784
Insurance	3,657	3,602
Advertising	2,525	5,990
Education and seminars	1,099	1,292
Interest charges	-	6
	<u>2,043,081</u>	<u>2,133,319</u>
Excess of expenses over revenue before capital items	(14,090)	(2,332)
Capital income (expense):		
Amortization of deferred capital contributions	9,217	9,908
Amortization of capital assets	(34,815)	(36,674)
	<u>(25,598)</u>	<u>(26,766)</u>
Excess of expenses over revenue	\$ (39,688)	\$ (29,098)

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	Unrestricted	Internally restricted		Investment in capital assets	2015	2014
		Operating reserve fund	Capital reserve fund			
Net assets, beginning of year	\$ 224,860	\$ 250,000	\$ 131,180	\$ 283,021	\$ 889,061	\$ 918,159
Excess of expenses over revenue (note 2)	(14,090)	-	-	(25,598)	(39,688)	(29,098)
Net assets, end of year	\$ 210,770	\$ 250,000	\$ 131,180	\$ 257,423	\$ 849,373	\$ 889,061

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of expenses over revenue	\$ (39,688)	\$ (29,098)
Items not involving cash:		
Amortization of deferred capital contributions	(9,217)	(9,908)
Amortization of capital assets	34,815	36,674
Change in non-cash operating working capital:		
Accounts receivable and accrued interest	2,367	(4,141)
Prepaid expenses and deposits	2,322	-
Accounts payable and accrued liabilities	5,728	3,181
Deferred capital contributions	34,217	-
	30,544	(3,292)
Investing activities:		
Decrease (increase) in investments, current portion	(257,210)	131,072
Decrease (increase) in investments, non-current portion	253,159	(3,051)
Purchase of capital assets	(34,217)	(15,600)
	(38,268)	112,421
Increase (decrease) in cash	(7,724)	109,129
Cash, beginning of year	342,025	232,896
Cash, end of year	\$ 334,301	\$ 342,025

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements

Year ended December 31, 2015

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.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

(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)

Year ended December 31, 2015

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	10% - 20%
Equipment	7%
Office furniture and computer hardware	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 \$1,466,778 (2014 - \$1,553,950) were donated during the year and are included in the statement of operations.

(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)

Year ended December 31, 2015

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:

	2015	2014
Capital assets	\$ 447,289	\$ 447,887
Less:		
Amounts financed by deferred capital contributions	(189,866)	(164,866)
	\$ 257,423	\$ 283,021

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2015

2. Investment in capital assets (continued):

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

	2015	2014
Excess of expenses over revenue:		
Amortization of deferred capital contributions	\$ 9,217	\$ 9,908
Amortization of capital assets	(34,815)	(36,674)
	(25,598)	(26,766)
Net change in investment in capital assets:		
Purchase of capital assets	34,217	15,600
Amounts funded by deferred contributions	(34,217)	-
	\$ (25,598)	\$ (11,166)

3. Capital assets:

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 67,252	\$ -	\$ 67,252	\$ 67,252
Building	305,566	132,123	173,443	182,572
Vehicles	191,923	111,085	80,838	60,414
Equipment	63,801	22,207	41,594	44,639
Office furniture and computer hardware	27,986	24,240	3,746	5,089
Computer software	2,456	2,456	-	-
Outdoor equipment	67,949	15,551	52,398	55,499
Building improvements	44,985	16,967	28,018	32,422
	\$ 771,918	\$ 324,629	\$ 447,289	\$ 447,887

Cost and accumulated amortization of capital assets at December 31, 2014 amounted to \$737,101 and \$289,814, respectively.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2015

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.

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 1.4% and 3.0% and mature in January 2016.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$240 (2014 - \$240), which include amounts payable for harmonized sales tax 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.