

Financial Statements of

**PARTNERS IN MISSION
FOOD BANK**

Year ended December 31, 2016



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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, 2016, 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, 2016 and December 31, 2015, 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, 2016, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 5, 2017

Kingston, Canada

PARTNERS IN MISSION FOOD BANK

Financial Statements

Year ended December 31, 2016

Financial Statements

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PARTNERS IN MISSION FOOD BANK

Statement of Financial Position

December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 357,762 | \$ 334,301 |
| Accounts receivable and accrued interest | 31,147 | 38,853 |
| Investments, current portion | - | 257,210 |
| | 388,909 | 630,364 |
| Investments, non-current portion | 263,285 | - |
| Capital assets (note 4) | 415,168 | 447,289 |
| | \$ 1,067,362 | \$ 1,077,653 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 6) | \$ 39,425 | \$ 38,414 |
| Deferred capital contributions | 176,309 | 189,866 |
| Net assets: | | |
| Unrestricted | 231,589 | 210,770 |
| Internally restricted - operating reserve fund | 250,000 | 250,000 |
| Internally restricted - capital reserve fund | 131,180 | 131,180 |
| Investment in capital assets (note 3) | 238,859 | 257,423 |
| | 851,628 | 849,373 |
| | \$ 1,067,362 | \$ 1,077,653 |

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, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| Revenue: | | |
| Donated food (gifts-in-kind) | \$ 2,360,596 | \$ 1,466,778 |
| Non-receipted income | 368,129 | 359,145 |
| Donations | 258,012 | 195,491 |
| Interest | 3,823 | 7,577 |
| | <u>2,990,560</u> | <u>2,028,991</u> |
| Expenses: | | |
| Distributed food (gifts-in-kind) | 2,361,872 | 1,468,244 |
| Salaries and benefits | 349,479 | 334,931 |
| Food purchased | 148,501 | 135,474 |
| Administration | 48,316 | 45,202 |
| Other occupancy costs | 26,155 | 23,586 |
| Delivery | 15,385 | 14,110 |
| Repairs and maintenance | 7,473 | 7,965 |
| Audit fees | 5,665 | 6,288 |
| Insurance | 3,884 | 3,657 |
| Loss on disposal of capital assets | 2,485 | - |
| Advertising | 342 | 2,525 |
| Education and seminars | 50 | 1,099 |
| Interest charges | 7 | - |
| | <u>2,969,614</u> | <u>2,043,081</u> |
| Earnings (loss) before the undernoted | 20,946 | (14,090) |
| Capital income (expense): | | |
| Amortization of deferred capital contributions | 13,558 | 9,217 |
| Amortization of capital assets | (32,249) | (34,815) |
| | <u>(18,691)</u> | <u>(25,598)</u> |
| Excess of revenue over expenses (expenses over revenue) | \$ 2,255 | \$ (39,688) |

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

| | Unrestricted | Internally restricted | | | 2016 | 2015 |
|---|-------------------|---------------------------|-------------------------|---------------------------------|-------------------|-------------------|
| | | Operating reserve fund | Capital reserve fund | Investment in capital assets | | |
| Net assets, beginning of year | \$ 210,770 | \$ 250,000 | \$ 131,180 | \$ 257,423 | \$ 849,373 | \$ 889,061 |
| Excess of revenue over expenses (expenses over revenue) (note 3) | 20,946 | - | - | (18,691) | 2,255 | (39,688) |
| Net change in investment in capital assets (note 3) | (127) | - | - | 127 | - | - |
| Net assets, end of year | \$ 231,589 | \$ 250,000 | \$ 131,180 | \$ 238,859 | \$ 851,628 | \$ 849,373 |

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|--|------------|-------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses (expenses over revenue) | \$ 2,255 | \$ (39,688) |
| Items not involving cash: | | |
| Amortization of deferred capital contributions | (13,558) | (9,217) |
| Amortization of capital assets | 32,249 | 34,815 |
| Loss on disposal of capital assets | 2,485 | - |
| Change in non-cash operating working capital: | | |
| Accounts receivable and accrued interest | 7,706 | 2,367 |
| Prepaid expenses and deposits | - | 2,322 |
| Accounts payable and accrued liabilities | 1,011 | 5,728 |
| Deferred capital contributions | - | 34,217 |
| | 32,148 | 30,544 |
| Investing activities: | | |
| Decrease (increase) in investments, current portion | 257,210 | (257,210) |
| Decrease (increase) in investments, non-current portion | (263,285) | 253,159 |
| Purchase of capital assets | (2,612) | (34,217) |
| | (8,687) | (38,268) |
| Increase (decrease) in cash | 23,461 | (7,724) |
| Cash, beginning of year | 334,301 | 342,025 |
| Cash, end of year | \$ 357,762 | \$ 334,301 |

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements

Year ended December 31, 2016

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 (Canada). Accordingly, the Entity is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) 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, 2016

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% to 20% |
| Equipment | 7% |
| Office furniture and computer hardware | 20% |
| Computer software | 100% |
| Building improvements | 20% |
| Outdoor equipment | 5% to 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 estimated 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.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Entity has not elected to subsequently carry any financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Entity determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Entity expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(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. Items subject to such estimates and assumptions include the useful life of capital assets and the amount recorded for donated food and distributed food (gifts-in-kind). 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.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Change in estimates:

In 2016, the Entity obtained a report from Food Banks Canada, who in partnership with the Neilson Company established a national value for donated food based on \$2.50 per pound of food distributed. The Entity applied this pricing, on a prospective basis, to the total pounds of hampers distributed during the year. Food, milk, and other supplies of \$2,360,596 were donated and distributed during the year and are included in the "Statement of Operations".

3. Investment in capital assets:

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

| | 2016 | 2015 |
|--|------------|------------|
| Capital assets | \$ 415,168 | \$ 447,289 |
| Less: | | |
| Amounts financed by deferred capital contributions | (176,309) | (189,866) |
| | \$ 238,859 | \$ 257,423 |

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

| | 2016 | 2015 |
|--|-------------|-------------|
| Excess of expenses over revenue: | | |
| Amortization of deferred capital contributions | \$ 13,558 | \$ 9,217 |
| Amortization of capital assets | (32,249) | (34,815) |
| | (18,691) | (25,598) |
| Net change in investment in capital assets: | | |
| Purchase of capital assets | 2,612 | 34,217 |
| Amounts funded by deferred contributions | - | (34,217) |
| Loss on disposal of capital assets | (2,485) | - |
| | 127 | - |
| | \$ (18,564) | \$ (25,598) |

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Capital assets:

| | | | 2016 | 2015 |
|--|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 67,252 | \$ - | \$ 67,252 | \$ 67,252 |
| Building | 305,566 | 140,795 | 164,771 | 173,443 |
| Vehicles | 159,781 | 94,345 | 65,436 | 80,838 |
| Equipment | 63,801 | 24,956 | 38,845 | 41,594 |
| Office furniture and computer hardware | 30,600 | 25,609 | 4,991 | 3,746 |
| Computer software | 2,456 | 2,456 | - | - |
| Outdoor equipment | 67,949 | 18,432 | 49,517 | 52,398 |
| Building improvements | 44,985 | 20,629 | 24,356 | 28,018 |
| | \$ 742,390 | \$ 327,222 | \$ 415,168 | \$ 447,289 |

Cost and accumulated amortization of capital assets at December 31, 2015 amounted to \$771,918 and \$324,629, respectively.

5. 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 0.85% and 0.95% and mature in January 2019.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$240 (2015 - \$240), which include amounts payable for harmonized sales tax and payroll-related taxes.

PARTNERS IN MISSION FOOD BANK

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. 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.