Financial Statements of

PARTNERS IN MISSION FOOD BANK

Year ended December 31, 2013

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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, 2013, 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, 2013 and December 31, 2012, 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, 2013, 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 9, 2014

Kingston, Canada

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PARTNERS IN MISSION FOOD BANK

Statement of Financial Position

December 31, 2013, with comparative information for 2012

		2013		2012
Assets				
Current assets:				
Cash	$	232,896	$	359,581
Accounts receivable and accrued interest		37,079		37,675
Investments, current portion		131,072		140,617
Prepaid expenses and deposits		2,322		1,430
		403,369		539,303
Investments, non-current portion		250,108		128,000
Capital assets (note 3)		468,961		501,734
	$	1,122,438	$	1,169,037
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 5)	$	29,505	$	27,153
Deferred capital contributions		174,774		185,456
Net assets:				
Unrestricted		242,792		484,014
Internally restricted - operating reserve fund		250,000		25,000
Internally restricted - capital reserve fund		131,180		131,136
Investment in capital assets (note 2)		294,187		316,278
		918,159		956,428
	$	1,122,438	$	1,169,037

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, 2013, with comparative information for 2012

		2013		2012
Revenue:				
Donated food (gifts-in-kind)	$	1,254,030	$	1,119,357
Donations		183,397		222,252
Non-receipted income		322,823		290,943
Interest		6,641		15,944
Amortization of deferred capital contributions		10,682		8,407
		1,777,573		1,656,903
Expenses:				
Distributed food (gifts-in-kind)		1,254,030		1,119,357
Salaries and benefits		304,323		276,288
Food purchased		110,340		96,459
Amortization of capital assets		39,828		32,415
Administration		39,600		39,109
Other occupancy costs		21,895		17,988
Delivery		12,942		12,819
Other		12,661		722
Audit fees		6,756		5,972
Repairs and maintenance		5,027		7,152
Insurance		3,607		3,272
Advertising		2,922		5,771
Education and seminars		1,898		2,235
Interest charges		13		-
		1,815,842		1,619,559
Excess of revenue over expenses (expenses over revenue)	$	(38,269)	$	37,344

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

		Internally restricted				
	Unrestricted	Operating reserve fund	Capital reserve fund	Investment in capital assets	2013	2012
Net assets, beginning of year	$ 484,014	$ 25,000	$ 131,136	$ 316,278	$ 956,428	$ 919,084
Excess of revenue over expenses (expenses over revenue) (note 2)	(9,123)	-	-	(29,146)	(38,269)	37,344
Net change in investment in capital assets (note 2)	(7,055)	-	-	7,055	-	-
Interfund transfers	(225,044)	225,000	44	-	-	-
Net assets, end of year	$ 242,792	$ 250,000	$ 131,180	$ 294,187	$ 918,159	$ 956,428

See accompanying notes to financial statements.

PARTNERS IN MISSION FOOD BANK

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	$ (38,269)	$ 37,344
Items not involving cash:		
Amortization of deferred capital contributions	(10,682)	(8,407)
Amortization of capital assets	39,828	32,415
Change in non-cash operating working capital:		
Accounts receivable and accrued interest	596	(4,901)
Accounts payable and accrued liabilities	2,352	(7,353)
Prepaid expenses	(892)	-
	(7,067)	49,098
Financing activities:		
Deferred capital contributions	-	44,528
Investing activities:		
Decrease (increase) in investments, current portion	9,545	(140,617)
Decrease (increase) in investments, non-current portion	(122,108)	132,534
Purchase of capital assets	(7,055)	(131,368)
	(119,618)	(139,451)
Decrease in cash	(126,685)	(45,825)
Cash, beginning of year	359,581	405,406
Cash, end of year	$ 232,896	$ 359,581

See accompanying notes to financial statements.

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.

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 $1,254,030 (2012 - $1,119,357) 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.

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:

	2013	2012
Capital assets	$ 468,961	$ 501,734
Less:		
Amounts financed by deferred capital contributions	(174,774)	(185,456)
	$ 294,187	$ 316,278

2. Investment in capital assets (continued):

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

		2013		2012
Excess of expenses over revenue:				
Amortization of deferred capital contributions	$	10,682	$	8,407
Amortization of capital assets		(39,828)		(32,415)
		(29,146)		(24,008)
Net change in investment in capital assets:				
Increase in deferred capital contributions		-		(44,528)
Purchase of capital assets		7,055		131,368
		7,055		86,840
	$	(22,091)	$	62,832

3. Capital assets:

						2013		2012
		Cost		Accumulated amortization		Net book value		Net book value
Land	$	67,252	$	-	$	67,252	$	67,252
Building		305,566		113,385		192,181		202,296
Vehicles		157,706		82,188		75,518		94,398
Equipment		63,801		15,770		48,031		48,651
Office equipment		8,529		5,835		2,694		3,437
Computer hardware		19,457		15,210		4,247		971
Computer software		2,456		2,456		-		-
Outdoor equipment		67,949		9,100		58,849		62,483
Building improvements		29,385		9,196		20,189		22,246
	$	722,101	$	253,140	$	468,961	$	501,734

Cost and accumulated amortization of capital assets at December 31, 2012 amounted to $715,046 and $213,312 respectively.

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 1.2% and 2.4% and have maturities ranging from April 2014 to January 2016.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $Nil (2012 - $710), 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.