

Regional Food Distribution Association of Northwestern Ontario
Financial Statements
March 31, 2018

Regional Food Distribution Association of Northwestern Ontario

Contents

For the year ended March 31, 2018

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Management's Responsibility

To the Board of Directors of Regional Food Distribution Association of Northwestern Ontario:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

██████████ is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

August 22, 2018



Executive Officer

Independent Auditors' Report

To the Board of Directors of Regional Food Distribution Association of Northwestern Ontario:

We have audited the accompanying financial statements of Regional Food Distribution Association of Northwestern Ontario, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in fund balances and 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 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 the auditors' 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 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 not-for-profit organizations, the Organization derives revenue from donations and fundraising, 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 Organization and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2018 and March 31, 2017 and assets and fund balances as at March 31, 2018 and March 31, 2017.

We were not in attendance to observe the taking of inventory recorded in the amount of \$77,052 (2017 - \$217,937) at the end of the year and were not able to satisfy ourselves concerning inventory quantities and prices by alternative means. As a result, we were unable to determine whether adjustments to inventory, food expense, deferred revenue and food donation revenue might be necessary.

The audit opinion on the financial statements for the year ended March 31, 2017 was qualified accordingly because of the possible effects of the limitation in scope.

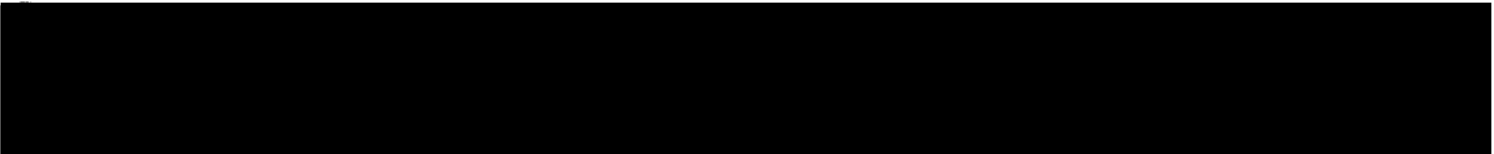
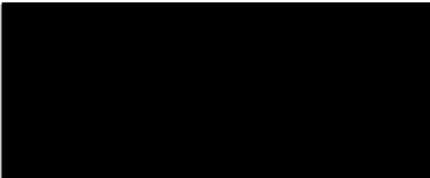
Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Regional Food Distribution Association of Northwestern Ontario as at March 31, 2018, and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Organization as a whole. The supplementary information contained in the schedules is presented for the purposes of additional analysis and is not part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Thunder Bay, Ontario
August 22, 2018

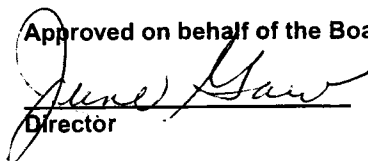


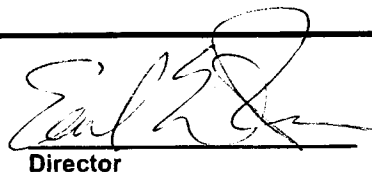
Regional Food Distribution Association of Northwestern Ontario
Statement of Financial Position

As at March 31, 2018

	2018	2017
Assets		
Current		
Cash	276,623	226,837
Accounts receivable	16,860	86,272
HST receivable	9,169	8,597
Inventory	77,052	217,937
Prepaid expenses	5,628	5,829
	385,332	545,472
Capital assets (Note 2)	1,686,426	1,757,838
	2,071,758	2,303,310
Liabilities		
Current		
Bank indebtedness (Note 3)	-	30,170
Accounts payable and accruals	27,419	37,044
Deferred revenue (Note 4)	170,551	336,721
Current portion of long-term debt (Note 5)	12,776	-
	210,746	403,935
Long-term debt (Note 5)	1,906	-
Deferred capital contributions (Note 6)	1,188,023	1,244,731
	1,400,675	1,648,666
Contingencies (Note 7)		
Fund Balances		
Externally Restricted	28,292	12,637
Internally Restricted	155,000	155,000
Invested in Capital Assets	487,791	487,007
	671,083	654,644
	2,071,758	2,303,310

Approved on behalf of the Board


 Director


 Director

The accompanying notes are an integral part of these financial statements

Regional Food Distribution Association of Northwestern Ontario

Statement of Operations

For the year ended March 31, 2018

	<i>Externally Restricted</i>	<i>Internally Restricted</i>	<i>Invested in Capital Assets</i>	2018	2017
Revenue					
Memberships	26,906	-	-	26,906	10,433
Donations - Donated Food	2,895,047	-	-	2,895,047	3,010,151
Donations and other	374,251	-	-	374,251	616,228
City of Thunder Bay	90,000	-	-	90,000	90,000
United Way of Thunder Bay	93,650	-	-	93,650	84,305
	43,147	-	-	43,147	-
Administration Board	70,000	-	-	70,000	70,000
Rental income	10,124	-	-	10,124	9,990
	3,603,125	-	-	3,603,125	3,891,107
Amortization of deferred capital contributions (Note 6)	56,708	-	-	56,708	60,267
Deferred contributions related to capital assets (Note 6)	-	-	-	-	(75,000)
	3,659,833	-	-	3,659,833	3,876,374
Expenses					
Advertising	21,276	-	-	21,276	22,103
Automotive expense	42,070	-	-	42,070	36,819
Community engagement	22,533	-	-	22,533	16,939
Equipment	9,424	-	-	9,424	75,000
Food - Donated, net	2,895,047	-	-	2,895,047	3,010,151
Food - Purchased	47,787	-	-	47,787	114,318
Insurance	4,322	-	-	4,322	6,571
Interest and bank charges	3,712	-	-	3,712	2,139
Meetings	15,631	-	-	15,631	24,649
Office	24,869	-	-	24,869	16,273
Professional fees	9,649	-	-	9,649	17,189
Repairs and maintenance	24,020	-	-	24,020	31,093
Social enterprise	37,058	-	-	37,058	-
Training and education	2,264	-	-	2,264	15,888
Transportation (Note 9)	41,192	-	-	41,192	24,435
Utilities	48,152	-	-	48,152	50,949
Wages and employee benefits	322,976	-	-	322,976	278,873
	3,571,982	-	-	3,571,982	3,743,389
Amortization of capital assets	80,836	-	-	80,836	92,985
Capital asset acquisitions included in expenses	(9,424)	-	-	(9,424)	(75,000)
	3,643,394	-	-	3,643,394	3,761,374
Total expenses	3,643,394	-	-	3,643,394	3,761,374
Excess of revenue over expenses	16,439	-	-	16,439	115,000

The accompanying notes are an integral part of these financial statements

Regional Food Distribution Association of Northwestern Ontario
Statement of Changes in Fund Balances

For the year ended March 31, 2018

	<i>Externally Restricted</i>	<i>Internally Restricted</i>	<i>Invested in Capital Assets</i>	2018	2017
Fund balance, beginning of year	12,637	155,000	487,007	654,644	539,644
Excess of revenue over expenses	16,439	-	-	16,439	115,000
Change in Invested in Capital Assets (Note 8)	(784)	-	784	-	-
Fund balance, end of year	28,292	155,000	487,791	671,083	654,644

The accompanying notes are an integral part of these financial statements

Regional Food Distribution Association of Northwestern Ontario

Statement of Cash Flows

For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	16,439	115,000
Amortization	80,836	92,985
	97,275	207,985
Changes in working capital accounts		
Accounts receivable	69,412	(70,678)
HST receivable	(572)	2,988
Inventory	140,885	50,651
Prepaid expenses	201	5,442
Accounts payable and accruals	(9,625)	(3,160)
Deferred revenue	(166,170)	(40,482)
	131,406	152,746
Financing		
Advances of long-term debt and bank indebtedness	-	30,170
Repayment of long-term debt and bank indebtedness	(15,488)	(38,693)
Deferred capital contributions	(56,708)	(60,267)
	(72,196)	(68,790)
Investing		
Purchase of capital assets	(9,424)	-
Increase in cash resources	49,786	83,956
Cash resources, beginning of year	226,837	142,881
Cash resources, end of year	276,623	226,837

The accompanying notes are an integral part of these financial statements

Regional Food Distribution Association of Northwestern Ontario

Notes to the Financial Statements

For the year ended March 31, 2018

Purpose of the Organization

Regional Food Distribution Association of Northwestern Ontario (the "Organization") was incorporated by letters patent without share capital on April 11, 2008, and is a registered charity under the Income Tax Act. The Organization's purpose is to better secure and distribute emergency food to meet the needs in Northwestern Ontario.

1. Significant accounting policies

The financial statements of the Organization have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined. The cost of major replacements and improvements to capital assets are capitalized and the cost of maintenance and repairs are expensed when incurred.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	4 %
Automotive	30 %
Computer equipment	55 - 100 %
Equipment	20 %

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year-end.

Deferred revenue is estimated based on management's review of revenue received, but unspent at year-end.

Deferred capital contributions and capital asset amortization are based on the estimated useful lives of assets.

Donated food is estimated based on a standard weight of \$5.50 per kilogram. These values are based on weight measurement guidelines established by Food Banks Canada.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue over expenses in the periods in which they become known.

Regional Food Distribution Association of Northwestern Ontario
Notes to the Financial Statements
For the year ended March 31, 2018

1. **Significant accounting policies** *(Continued from previous page)*

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

Directors, committee members and general members donate their time to assist in the Organization's activities. While these services benefit the Organization considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

Contributed food

During the year the Organization received food and other supplies totalling \$2,895,047 (2017 - \$3,010,151).

Inventory

Inventory consists of donated food and supplies and have been valued at \$5.50 per kilogram based on standard weight. These values are based on weight measurement guidelines established by Food Banks Canada.

Deferred capital contributions

Deferred capital contributions represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Organization's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Fund accounting

The Organization maintains three funds: Externally Restricted Fund, Internally Restricted Fund and Invested in Capital Assets.

The Externally Restricted Fund reports the Organization's assets, liabilities, revenue and expenses related to programs that are funded with restricted contributions.

The Internally Restricted Fund is designated for the completion of the building located at [REDACTED] and the purchase of food.

The Invested in Capital Assets reports the Organization's assets, liabilities, revenue and expenses related to Regional Food Distribution Association of Northwestern Ontario's capital assets and building expansion campaign.

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. 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.

Donated products are recognized at the time of distribution.

Allocation of expenses

It is the Organization's policy to allocate administrative salaries, benefits and other expenditures to the various programs based on budgeted amounts in accordance with the funding agencies' contracts.

Regional Food Distribution Association of Northwestern Ontario

Notes to the Financial Statements

For the year ended March 31, 2018

1. Significant accounting policies *(Continued from previous page)*

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using discounted cash flows. Any impairment is included in excess of revenue over expenses.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Handbook 3840 *Related Party Transactions*. (Note 9)

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

2. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	273,875	-	273,875	273,875
Buildings	1,679,809	437,053	1,242,756	1,294,538
Automotive	104,486	67,527	36,959	52,799
Computer equipment	7,832	7,364	468	1,040
Equipment	286,948	154,580	132,368	135,586
	2,352,950	666,524	1,686,426	1,757,838

3. Bank indebtedness

Bank indebtedness includes an operating line of credit to a maximum of \$50,000 (2017 - \$50,000), bearing interest at prime plus 2% (5.45%) (2017 - 4.70%), secured by a general security agreement, certain equipment with a net book value of \$20,347, and assignment of property insurance. At year-end, \$Nil (2017 - \$30,170) had been advanced on the line of credit.

Regional Food Distribution Association of Northwestern Ontario

Notes to the Financial Statements

For the year ended March 31, 2018

4. Deferred revenue

During the year the Organization received revenue with respect to operating agreements which extend beyond the Organization's fiscal year-end. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred revenue balance are as follows:

	Balance, beginning of year	Amount received during the year	Amount recognized as revenue during the year	2018	2017
Food - Individual Designated Donations	295,448	-	(210,884)	84,564	295,448
Deferred revenue - Freezer Campaign	41,273	-	-	41,273	41,273
Deferred revenue - ██████████	-	82,861	(43,147)	39,714	-
Deferred revenue - other	-	5,000	-	5,000	-
	336,721	87,861	(254,031)	170,551	336,721

5. Long-term debt

██████████ loan bearing interest at 4.45% per annum repayable in monthly blended instalments of \$1,098, due June 2019. The loan is secured by a general security agreement and assignment of insurance.

	2018	2017
	14,682	-
Less: Current portion	12,776	-
	1,906	-

Principal repayments on long-term debt in each of the next two years are estimated as follows:

2019	12,776
2020	1,906
	14,682

6. Deferred capital contributions

Deferred capital contributions consist of the unamortized amount of restricted contributions received for the purchase of the buildings. Changes in deferred capital contributions are as follows:

	2018	2017
Balance, beginning of year	1,244,731	1,229,998
Contributions used to fund acquisition of capital assets	-	75,000
Amounts recognized as revenue during the year	(56,708)	(60,267)
	1,188,023	1,244,731

Regional Food Distribution Association of Northwestern Ontario

Notes to the Financial Statements

For the year ended March 31, 2018

7. Contingencies

The Organization is contingently liable to its funding agencies for any expenditures that it may have made in contravention of the contract agreements with these agencies and any surpluses may be subject to recovery, depending on the terms and conditions of the relevant contract agreements. The actual amount of any contingent liability is currently not determinable.

The Organization is contingently liable to the City of Thunder Bay should it decide to sell, transfer or otherwise divest itself of the property located at [REDACTED] in the amount of \$357,300 decreasing by 10% per year to \$Nil as of March 19, 2021.

8. Change in Invested in Capital Assets

The change in Invested in Capital Assets is calculated as follows:

	2018	2017
Purchase of capital assets	9,424	75,000
Amortization expense	(80,836)	(92,985)
Financing provided by bank loan	-	(30,170)
Repayment of asset financing	15,488	38,693
Deferred capital contributions	-	(75,000)
Amortization of deferred capital contributions	56,708	60,267
	784	(24,195)

9. Related party transactions

Included in transportation expense for the current year is \$29,733 (2017 - \$17,461) to a company controlled by a Board member. The transportation expense is in the normal course of operations and is recorded at the exchange amount, which is the amount of consideration established and agreed upon by the related parties

10. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of accounts receivable; however, credit exposure is limited due to the Organization's large customer base.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulties in meeting obligations associated with financial liabilities. The Organization enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate price risk on its long-term debt which is subject to a fixed rate of interest of 4.45%.

11. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Regional Food Distribution Association of Northwestern Ontario
Schedule 1 - Unaudited Schedule of Operations

For the year ended March 31, 2018

	2018	2017
Revenue		
Memberships	26,906	10,433
Rental income	10,124	9,990
United Way of Thunder Bay	93,650	84,305
City of Thunder Bay	90,000	90,000
██████████	43,147	-
Donations - Donated Food	2,895,047	3,010,151
Donations and other	374,251	616,228
	3,533,125	3,821,107
Amortization of deferred contributions related to capital assets (Note 6)	56,708	60,267
Deferred capital contributions (Note 6)	-	(75,000)
	3,589,833	3,806,374
Expenses		
Advertising	21,276	22,103
Automotive expense	42,070	36,819
Community engagement	22,533	16,939
Equipment	9,424	75,000
Food - Donated, net	2,895,047	3,010,151
Food - Purchased	(2,264)	64,267
Insurance	4,322	6,571
Interest and bank charges	3,712	2,139
Meetings	15,631	24,649
Office	24,869	16,273
Professional fees	9,649	17,189
Repairs and maintenance	24,020	31,093
Social enterprise	37,058	-
Training and education	2,264	15,888
Transportation (Note 9)	41,192	24,435
Utilities	48,152	50,949
Wages and employee benefits	303,026	258,923
	3,501,981	3,673,388
Other		
Amortization of capital assets	80,836	92,985
Capital assets acquisitions included in expenses	(9,424)	(75,000)
	3,573,393	3,691,373
Excess of revenue over expenses	16,440	115,001

Regional Food Distribution Association of Northwestern Ontario
Schedule 2 - Unaudited Schedule of Thunder Bay District Social Services Administration
Board Revenue and Expenses

For the year ended March 31, 2018

	2018	2017
Revenue		
Thunder Bay District Social Services Administration Board	70,000	70,000
Expenses		
Food - Purchased	50,050	50,050
Wages and employee benefits	19,950	19,950
	70,000	70,000
Excess of revenue over expenses	-	-