

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Independent Auditor's Report
Statement of Financial Position
Statement of Operations
Statement of Changes in Net Assets
Cash Flow Statement
Notes to the Financial Statements

MITCHELL & HOLMES

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Ottawa Food Bank/la Banque d'alimentation d'Ottawa:

We have audited the accompanying financial statements of The Ottawa Food Bank/la Banque d'alimentation d'Ottawa, which comprise the statement of financial position as at September 30, 2016, and 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.

Auditor's 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 auditor's judgement, 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 Ottawa Food Bank/la Banque d'alimentation d'Ottawa derives part of its revenue from donations and other fundraising sources and from food donations in-kind, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of The Ottawa Food Bank/la Banque d'alimentation d'Ottawa.

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Therefore, we were not able to determine whether any adjustments might be necessary to donations, fundraising revenues and food donations in-kind, excess of revenues over expenses, and cash flows from operations for the years ended September 30, 2016 and September 30, 2015, current assets as at September 30, 2016 and September 30, 2015 and accumulated net assets as at the beginning and the end of the years ended September 30, 2016 and September 30, 2015. Our audit opinion on the financial statements for the year ended September 30, 2015 was modified accordingly because of the possible effects of this limitation in scope.

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 Ottawa Food Bank/la Banque d'alimentation d'Ottawa as at September 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



MITCHELL & HOLMES

Chartered Accountants, Licensed Public Accountants

January 30, 2017

Ottawa, Ontario

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$1,795,385	\$1,205,717
Short-term investments (Notes 2,7)	208,243	17,216
Accounts receivable	41,319	52,500
Government receivable	53,551	51,157
Prepaid expenses (Notes 2,5)	<u>154,264</u>	<u>114,991</u>
	2,252,762	1,441,581
RESTRICTED ASSETS (Note 8)	32,793	25,221
PROPERTY AND EQUIPMENT (Notes 2,3)	<u>474,999</u>	<u>588,228</u>
	<u>\$2,760,554</u>	<u>\$2,055,030</u>

<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 191,901	\$ 131,460
Unearned revenue	<u>83,363</u>	<u>-</u>
	275,264	131,460
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	<u>112,729</u>	<u>147,766</u>
	<u>387,993</u>	<u>279,226</u>

<u>ACCUMULATED NET ASSETS</u>		
Restricted assets (Note 8)	32,793	25,221
Net assets invested in capital assets (Notes 11, 12)	362,270	440,462
Net assets internally restricted for capital fund (Note 12)	311,500	254,100
Net assets internally restricted for operating fund (Note 12)	1,357,682	818,325
Unrestricted	<u>308,316</u>	<u>237,696</u>
	<u>2,372,561</u>	<u>1,775,804</u>
	<u>\$2,760,554</u>	<u>\$2,055,030</u>

On behalf of the board:

.....Director

.....Director

(See accompanying notes to the financial statements)

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Food donations in-kind (Note 10)	\$ 8,070,944	\$ 7,509,618
Donations	3,612,194	3,506,343
Special events	788,702	681,881
Grants	498,200	417,794
Corporate sponsorship	200,539	151,838
Amortization of deferred capital contributions (Note 9)	35,037	41,342
Investment income (Note 2)	<u>16,055</u>	<u>14,148</u>
	<u>13,221,671</u>	<u>12,322,964</u>
EXPENSES		
Advertising	110,612	157,148
Baby supply purchases	110,803	104,905
Bank and credit card charges	39,609	42,231
Contract workers	3,428	66,693
Depreciation - vehicles	43,860	58,060
- furniture and equipment	68,260	59,421
- leasehold improvements	19,392	19,392
Food purchases	1,165,437	1,141,316
Food donations in-kind (Note 10)	8,070,944	7,509,618
Food drive and fundraising	753,261	549,813
Insurance	25,683	25,886
Meetings and travel	11,336	11,874
Miscellaneous	13,585	16,341
Office	34,726	46,970
Professional development	6,322	3,552
Professional fees	63,943	70,900
Rent and utilities	275,621	275,966
Salaries and benefits	1,570,628	1,513,896
Telephone	18,914	16,373
Truck operation	100,558	107,889
Warehouse	<u>117,992</u>	<u>63,059</u>
	<u>12,624,914</u>	<u>11,861,303</u>
EXCESS REVENUE OVER EXPENSES	<u>\$ 596,757</u>	<u>\$ 461,661</u>

(See accompanying notes to the financial statements)

THE OTTAWA FOOD BANK

LA BANQUE D'ALIMENTATION D'OTTAWA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Restricted Assets	Invested in Capital Assets	Restricted for Capital Fund	Restricted for Operating Fund	Unrestricted	2016	2015
Balance, beginning of year	\$ 25,221	\$ 440,462	\$ 254,100	\$ 818,325	\$ 237,696	\$1,775,804	\$1,314,143
Net change in restricted assets (Note 8)	7,572	-	-	-	(7,572)	-	-
Excess of revenue over expenditures	-	-	-	-	596,757	596,757	461,661
Net change in investment in capital (Note 11)	-	(78,192)	-	-	78,192	-	-
Internally imposed restrictions (Note 12)	-	-	57,400	539,357	(596,757)	-	-
Balance, end of year	<u>\$ 32,793</u>	<u>\$ 362,270</u>	<u>\$ 311,500</u>	<u>\$1,357,682</u>	<u>\$ 308,316</u>	<u>\$2,372,561</u>	<u>\$1,775,804</u>

(See accompanying notes to the financial statements)

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>2016</u>	<u>2015</u>
NET INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 596,757	\$ 461,661
Items not affecting cash:		
Gain on disposal of vehicles	(1,815)	-
Depreciation	<u>131,512</u>	<u>136,873</u>
	726,454	598,534
Change in non-cash operating working capital items		
Prepaid expenses	(39,273)	9,607
Accounts payable and accruals	60,441	(966)
Unearned revenue	83,363	-
Deferred contributions	(35,037)	(11,342)
Government receivable	(2,394)	1,628
Accounts receivable	<u>11,181</u>	<u>(4,500)</u>
	804,735	592,961
INVESTING		
Increase in restricted assets	(7,572)	(7,699)
Disposal of vehicles	3,475	-
Additions to furniture and equipment	(19,943)	(114,017)
Additions to vehicles	<u>-</u>	<u>(128,714)</u>
NET CASH INFLOW	780,695	342,531
CASH, BEGINNING OF YEAR	<u>1,222,933</u>	<u>880,402</u>
CASH, END OF YEAR (1)	<u><u>\$2,003,628</u></u>	<u><u>\$1,222,933</u></u>

1. For the purpose of this statement cash comprises:

Cash and cash equivalents	\$1,795,385	\$1,205,717
Short-term investments	<u>208,243</u>	<u>17,216</u>
	<u><u>\$2,003,628</u></u>	<u><u>\$1,222,933</u></u>

(See accompanying notes to the financial statements)

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. GENERAL

The Ottawa Food Bank/la Banque d'alimentation d'Ottawa is a registered charity under the Canada Not-for-profit Corporations Act (NFP) incorporated without share capital. Accordingly, the organization is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

Recognizing that there are families and individuals in the National Capital District who frequently and at times experience hunger, and motivated by the strongest of beliefs that no one in the National Capital District should ever go hungry because they lack the resources to acquire food they and their families need.

And recognizing, further, that there are many organizations and individuals in the district with surplus food which they are prepared to give to those in need, and still others prepared to contribute money and services,

And acknowledging that providing food directly to those in need is the primary responsibility of a broad base of existing agencies,

And committed fully to the temporary nature of our existence, hoping with all our hearts that in the foreseeable future food banks will prove unnecessary in the National Capital District.

The Mission of The Ottawa Food Bank/la Banque d'alimentation d'Ottawa is to collect and distribute food to member agencies serving people in need in the Ottawa area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered to be significant.

a) Property and Equipment

Furniture, equipment and vehicles are recorded at cost and are depreciated on a diminishing-value basis using the following rates.

Furniture and equipment	20%
Vehicles	30%

Leasehold improvements are depreciated on a straight-line basis over the term of the lease at 1315A-B and 1317A-B Michael Street which expires March 31, 2022.

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue Recognition

The Ottawa Food Bank/la Banque d'alimentation d'Ottawa follows the deferral method of accounting for contributions, which includes grants and donations. Externally restricted contributions are recognized as revenues in the year the restriction has been discharged. 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.

Investment income is recognized as revenue when earned and it includes interest earned on the short-term investments.

c) Short-term investments

Short-term investments consist of guaranteed investment certificates with maturity dates ranging from 91 days to twelve months from date of acquisition. Short-term investments also include equities and mutual funds that have been donated and for which management intends to liquidate within twelve months from the date of acquisition.

d) Management Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

e) Contributed Food

The community contributes food during the year to assist The Ottawa Food Bank/la Banque d'alimentation d'Ottawa in carrying out its mandate. Food donations received in kind are recorded at estimated fair market value at the date the donation is made.

f) Contributed Services

The work of The Ottawa Food Bank/la Banque d'alimentation d'Ottawa is dependent on the voluntary services of many members. The value of donated services is not recognized in these statements due to the difficulty of determining their fair market value.

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Prepaid expenses

Prepaid expenses primarily comprise advance payments made to vendors in the current fiscal year for goods and services to be received in the next fiscal year. Prepaid expenses are recognized as expenses in the period when the goods and services are received.

h) Financial Instruments

Financial instruments are financial assets or liabilities of The Ottawa Food Bank/la Banque d'alimentation d'Ottawa, in general, The Ottawa Food Bank/la Banque d'alimentation d'Ottawa has the right to receive cash or other financial assets from another party or The Ottawa Food Bank/la Banque d'alimentation d'Ottawa has the obligation to pay another party cash or other financial assets.

Measurement of financial instruments:

The Ottawa Food Bank/la Banque d'alimentation d'Ottawa initially measures its financial assets and liabilities at fair value.

The Ottawa Food Bank/la Banque d'alimentation d'Ottawa subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity and other instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include, cash, certain cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Financial assets measured at fair value include investments.

Impairment:

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) Contributions Receivable

Contributions receivable are recognized in these financial statements when the receivable amount can be reasonably estimated and ultimate collection is reasonably assured.

j) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase unless they are held for investment rather than maturity purposes, in which case they are classed as investments.

k) Food Purchases and Inventory

Food purchases are recorded as an expense at the date of purchase. Food items on hand at year-end are not recorded as inventory due to measurement uncertainty.

3. PROPERTY AND EQUIPMENT

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and Equipment	\$ 632,534	\$ 387,493	\$245,041	\$293,357
Leasehold Improvements	266,859	137,580	129,279	148,671
Vehicles	<u>515,316</u>	<u>414,637</u>	<u>100,679</u>	<u>146,200</u>
	<u>\$1,414,709</u>	<u>\$ 939,710</u>	<u>\$474,999</u>	<u>\$588,228</u>

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. COMMITMENTS

There is a lease for premises located at 1315A-B and 1317A-B Michael Street, Ottawa, Ontario which commenced on April 1, 2012 and is for a term of ten years which ends March 31, 2022.

The proportionate share of operating costs and realty taxes have been estimated based on current market rates.

Future minimum lease payments for the office and warehouse premises are as follows:

2017	\$ 218,112
2018	218,112
2019	218,112
2020	218,112
2021	<u>218,112</u>
	<u>\$1,090,560</u>

In addition, there are long term leases with respect to equipment and vehicles. Future minimum lease payments are as follows:

2017	\$ 53,983
2018	74,830
2019	70,920
2020	70,920
2021	<u>70,920</u>
	<u>\$ 341,573</u>

5. PREPAID EXPENSES

Prepaid expenses consist of the following:

	<u>2016</u>	<u>2015</u>
Insurance	\$ 16,460	\$ 18,440
Deposits - rent and utilities	62,481	83,704
Operating prepaid expenses	<u>75,323</u>	<u>12,847</u>
	<u>\$154,264</u>	<u>\$114,991</u>

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

6. FINANCIAL INSTRUMENTS RISKS AND CONCENTRATIONS

The Ottawa Food Bank/la Banque d'alimentation d'Ottawa is exposed to various risks through its financial instruments. The following analysis provides a measure of The Ottawa Food Bank/la Banque d'alimentation d'Ottawa's risk exposure and concentrations as at September 30, 2016.

Credit risk:

Credit risk arises from the potential that a counter party will fail to perform its obligations. It is management's opinion that The Ottawa Food Bank/la Banque d'alimentation d'Ottawa is not exposed to significant credit risk as its main credit risk relate to its accounts receivable. The accounts receivable are managed and analyzed on an ongoing basis. The Ottawa Food Bank/la Banque d'alimentation d'Ottawa is of the opinion that its exposure to bad debts is not significant.

Liquidity risk:

Liquidity risk is the risk that The Ottawa Food Bank/la Banque d'alimentation d'Ottawa will not be able to meet a demand for cash or fund its obligations as they come due. Sufficient short-term investments are on hand at any given time that can readily be converted to cash to cover any expected and unexpected operating requirements.

Currency risk:

Currency risk is the risk to The Ottawa Food Bank/la Banque d'alimentation d'Ottawa's revenues and expenses that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. It is management's opinion that The Ottawa Food Bank/la Banque d'alimentation d'Ottawa is not exposed to any currency risk as it has no material transactions in foreign currencies.

Interest rate price risk:

The Ottawa Food Bank/la Banque d'alimentation d'Ottawa's fixed income investments earn interest at prevailing market rates. It is management's opinion that these investments do not expose The Ottawa Food Bank/la Banque d'alimentation d'Ottawa to significant interest rate risk.

Changes in risk:

There has been no significant change in the level of risk during the year.

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

7. SHORT-TERM INVESTMENTS

Short-term investments consist of a guaranteed investment certificate with a maturity date that exceeds three months and investments in equities and mutual funds that have been donated and for which management intends to liquidate within twelve months from the date of acquisition.

The guaranteed investment certificate matures in January 2017 and is earning interest at a rate of 1.00%.

	<u>2016</u>	<u>2015</u>
Guaranteed investment certificate	\$200,000	\$ -
Equities and mutual funds	<u>8,243</u>	<u>17,216</u>
Balance, end of year	<u>\$208,243</u>	<u>\$ 17,216</u>

8. RESTRICTED ASSETS

Restricted assets fund consist of external contributions that a donor has designated as a permanent restricted asset. The restricted assets fund cannot be expended by The Ottawa Food Bank/la Banque d'alimentation d'Ottawa without the consent of the donor. The annual income earned on the restricted assets fund may be expended by The Ottawa Food Bank/la Banque d'alimentation d'Ottawa.

The change in the restricted assets fund balance in 2016 consists of \$7,572 (2015- \$7,699) of restricted contributions.

The carrying value of the restricted assets is measured at estimated fair market value.

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants received for the purchase of capital assets. The amortization of the deferred capital contributions is recorded as revenue in the statement of operations.

The changes in the deferred capital contributions balance are as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$147,766	\$159,108
Add capital contributions received	<u>-</u>	<u>30,000</u>
	147,766	189,108
Less amortization of deferred capital contributions	<u>(35,037)</u>	<u>(41,342)</u>
Balance, end of year	<u>\$112,729</u>	<u>\$147,766</u>

10. FOOD IN-KIND DONATIONS

The Ottawa Food Bank/la Banque d'alimentation d'Ottawa receives food in-kind donations from industries/businesses and the general public. Management has estimated that the total amount of food in-kind donations is 3.23 million pounds for 2016 (3.04 million pounds for 2015).

According to national standards recommended by Food Banks of Canada, the monetary equivalent of one pound of food donations is \$2.50 (2015 - \$2.50). Management has decided to use this rate as the basis of determining the value of food in-kind donations. These food in-kind donations are reflected in the statement of operations in the period received as a revenue and as an expense.

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

11. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	<u>2016</u>	<u>2015</u>
Capital assets	\$ 474,999	\$ 588,228
Less amounts financed by:		
Deferred capital contributions	<u>(112,729)</u>	<u>(147,766)</u>
	<u>\$ 362,270</u>	<u>\$ 440,462</u>

The net change in investment in capital assets is calculated as follows:

	<u>2016</u>	<u>2015</u>
Purchase of capital assets	\$ 19,943	\$ 242,731
Less:		
Capital asset purchases financed with grants	<u>-</u>	<u>(30,000)</u>
Capital assets purchased with the organization's funds	19,943	212,731
Proceeds from disposal of capital assets	(3,475)	-
Gain on disposal of capital assets	1,815	-
Depreciation of capital assets	(131,512)	(136,873)
Amortization of deferred capital contributions	<u>35,037</u>	<u>41,342</u>
Net change in investment in capital assets	<u>\$ (78,192)</u>	<u>\$ 117,200</u>

THE OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

12. INTERNALLY RESTRICTED NET ASSETS

In 2016, The Ottawa Food Bank/La Banque d'alimentation d'Ottawa's Board of Directors approved amounts to be internally restricted for an operating reserve fund and a capital reserve fund.

The target minimum operating reserve fund should be equal to three months of necessarily ongoing operating costs and the goal is to establish a reserve fund that equals up to six months of necessarily ongoing operating costs within the next five years. An amount of \$539,357 (2015 - \$461,661) has been approved to be recorded as an increase in the operating reserve fund.

Net assets internally restricted for the capital reserve fund represents management's recognition that there will be funds required for future capital replacement of the organization's property and equipment. An amount of \$311,500 (2015 - \$254,100) has been approved to be recorded.

Net assets invested in capital assets represents the amount the Organization has invested of its own funds in these assets. The amount is calculated as the net book value of the property and equipment less amounts financed through capital contributions.